GLOSSARY

Terms Related to Trade Policy and Economics

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Foreword

This glossary was assembled by Nathan Associates Inc. as part of the USAID Support for Trade Capacity Building Activities (STCBA) project. It encompasses both economic concepts and trade terminology used in trade negotiations and in international commercial transactions. When a word is italicized, its definition can be found in the glossary. This glossary is not exhaustive but a work-in-progress. Nathan Associates Inc. welcomes your comments on these terms as well as new terms for inclusion in the glossary. Please send your comments to tcb@nathaninc.com.

TERMS RELATED TO TRADE POLICY AND ECONOMICS

Absolute Advantage. The ability of a country to supply a particular product or class of goods at lower costs than competing nations. See also *comparative advantage* and *competitiveness.*

Accession. The process by which countries join the *General Agreement on Tariffs and Trade*, or *GATT (see Section 111).1* The length of the accession process varies, depending on the conformity of the applicant country's trade practices with GATT norms. Individual GATT members and the applicant country also usually negotiate a "price of admission" --tariff concessions or other obligations including the reduction of quotas and other trade-distorting policies --to compensate for benefits that have accrued over the years through multilateral GATT negotiations in which the applicant country did not participate. Accession to GATT does not automatically mean that the new member is bound by the various *GATT Codes;* members join these arrangements separately. The basic requirement for accession is that the applicant country's trade policies must provide nondiscriminatory and predictable treatment for all other GATT members; in return, the country becomes part of the organization that makes world trade rules, and also enjoys by right of international obligation the benefits of these rules for its exports.

ACP (African, Caribbean, and Pacific) Countries. Refers to 69 countries --most of them former colonies of member states of the *European Community*--receiving preferential tariff treatment as well as EC financial and technical assistance under the *Lomé Convention.*

Actionable subsidy: A type of subsidy that is not prohibited under WTO rules but against which a member may respond by imposing a countervailing duty.

Adjustment Assistance. Relocation, reemployment, and financial assistance to workers, firms, and industries designed to help them adjust to import competition. Trade Adjustment Assistance (TAA) provided by the US *Trade Acts of* 1974 and 1979 is designed to help an industry become more competitive or phase workers into other economic pursuits. Proponents claim that TAA can promote trade liberalization by facilitating shifts of resources from less productive to more productive industries. Critics argue that the T AA program --provided primarily in the form of a supplement to unemployment compensation --distorts incentives by compensating only workers who have failed to adjust to import competition.

Adjustment Costs. The economic and social costs of reallocating resources from domestic industries forced to contract as a result of international competition. Although conventional international trade models assumed that adjustment costs would be minimal --leading to prescriptions *of free trade* and even unilateral trade liberalization -- industries employing highly specialized production factors can face substantial adjustment costs.

Administered Pricing. A condition in which prices of certain goods or services are determined by government agencies, producer cartels, or industry associations, rather than freely through market forces. Examples include price controls imposed by governments during periods of short supplies or high inflation; setting of shipping rates or fares; and collusion among suppliers or importers of a commodity to maintain price stability.

Administrative Guidance (Gyosei-Shido). A system of *industrial policy* used in Japan since the early 1960s. The term refers to official or unofficial pronouncements from government officials, which serve as guidelines to business concerning the application of Japanese law or regulations. Such guidance may take the form of a written opinion or a spoken remark. The informal character *ofgyosei-shido* tends to exclude foreign firms from inside information.

Administrative Review. In *unfair trade* cases, a mechanism for parties to a case to appeal a ruling on subsidization, dumping, or injury to an administrative authority in the importing country.

Ad Referendum. Refers to delegations' acceptance of the outcome of a negotiation on a provisional basis, pending final approval by governmental authorities.

Ad Valorem Duty. An ad valorem duty (tariff, charge, and so on) is based on the value of the dutiable item and expressed in percentage terms: for example, a duty of 20 percent on the value of automobiles.

Ad Valorem Equivalent (AVE). A *specific duty* expressed in terms of a percentage of the value of the product in question. For example, a duty of $5 per ton on a product valued at $50 per ton has an A YE of 10 percent. When tariff negotiations are conducted on a percentage-reduction basis, AVEs must be calculated in order to permit proportional cuts in specific duties.

Advisory Centre on WTO Law. Entity based in Geneva that provides legal counseling on WTO law and dispute settlement to developing and transition countries that are WTO members on a subsidized basis, depending on the income level of the requesting government. 72 WTO members are eligible to request assistance.

The African Growth and Opportunity Act. *See AGOA*.

Aggregate Measure of Support. Measure of the total support given to an activity as a result of policies such as production subsidies and market price support policies. Used in the WTO Agreement on Agriculture.

AGOA. The African Growth and Opportunity Act. AGOA is a US government initiative aimed at assisting the 48 eligible Sub-Saharan Countries toward achieving sustained long-term economic growth and development, through its provisions on preferential trade and investment policy as contained in the Act. This is to be implemented through the renewal of the generalized system of preferences and the reauthorization of trade assistance programs, for the eight-year period beginning October 1, 2000 ending September 30, 2008.

Agreement on Implementation of Article VI of the GA TT .See *Antidumping Code.*

Agreement on Implementation of Article VU of the GA TT .See *Customs Valuation Code.*

Agreement on Technical Barriers to Trade. See *Standards Code.*

Agreement on Interpretation and Application of Articles VI, XVI, and XXIII. See *Subsidies Code.*

Agricultural Trade Development and Assistance Act of 1954. See *PL*. 480.

Aide Memoire. In diplomatic parlance, refers to a written outline or summary of the main points of a proposed agreement.

Allocation Cartel. An agreement among firms in a particular industry by which each participant is assigned certain customers or areas within which it will be the exclusive or primary supplier.

Andean Trade Preferences Arrangement (ATPA). A non-reciprocal *preferential arrangement* established by the Andean Trade Preference Act of 1991, under which the United States grants duty-free treatment for a 10-year period to certain imports from Bolivia, Colombia, Ecuador, and Peru. The A TP A is intended to expand economic alternatives available to Andean countries that are engaged in combating drug production and trafficking. Eligible articles are the same as those under the *Caribbean Basin Initiative*, except rum.

Annecy Round. The second *GATT Round* of multilateral trade negotiations, held in

Annecy, France, from April through October, 1949. The Round dealt with institutional matters and the accession of new members, but did not make significant progress in reducing trade barriers.

Anticircumvention Duty. A term used by the European Community for penalty charges imposed on the output of Japanese *screwdriver assemblies* in Europe; subsequently found in violation of GATT rules by a *dispute settlement* panel. See *circumvention.*

Antidumping (Code). Trade policy used by importing governments to counteract dumping, for example by imposing duties or negotiating price increases. The Antidumping Code, formally known as the Agreement on Anti-Dumping Practices, is a code negotiated under the auspices of the GA n during the *Kennedy Round* and subsequently renegotiated in the *Tokyo Round.* The code interprets the provisions of GA n Article 6, specifying the procedures signatory countries must follow to verify *dumping* allegations, and providing the basis for the imposition, collection, and duration of antidumping duties. Parties to the Agreement include Argentina, Australia, Austria, Brazil, Canada, Czech Republic, Egypt, the European Community, Finland, Hong Kong, Hungary, India, Japan, Korea, Mexico, New Zealand, Norway, Pakistan, Romania, Singapore, Slovakia, Spain, Sweden, Switzerland, and the United States.

Antidumping Duty. A penalty charge on imports to protect domestic industry against disruptive pricing practices by foreign firms (see *dumping).* An antidumping duty is supposed to be set equal to the margin of dumping, defined as the difference *between fair value* and the actual sales price. GATT Article 6 permits members to levy antidumping duties, while the GATT *Antidumping Code* attempts to standardize and discipline importing governments' activities in this area. See also *circumvention* and *injury test.*

Appellate Body. WTO body that hears appeals against the findings of dispute settlement panels.

Appellations of Origin. (Also referred to as "geographic indications of origin.") The name of a country, region, or locality designating a product's origin --such as Champagne or Camembert --and having the same function as a trademark or brand name. International negotiations on protection of *intellectual property rights* seek to resolve differences among countries' eligibility requirements (or lack thereof) for use of appellations or origin.

Applied Tariff Rate. The tariff rate actually used to determine the amount of duty owed on a particular import transaction.

Applied rates may differ from *bound rates.*

Antitrust. Government regulation intended to maintain competitive market structures, in order to protect trade and commerce from monopolies and restraints on competition such as collusive price-fixing and *vertical restraints.* Antitrust in its modern form is primarily, a North American invention. Other Western countries have been slower to adopt such regulation, but in recent years most industrialized countries have enacted laws broadly similar to those in the United States. See *competition policy.*

Arbitrage. The purchase of commodities or foreign exchange in one country or market, followed by promptly re-selling in another market for a higher price.

Arm's Length Pricing. The price at which a particular product or service would sell in a transaction between unrelated buyers and sellers. It is the functional opposite of "transfer pricing," in which the buyer and seller are related --for example, as affiliated units of a multinational corporation --and the price is influenced accordingly.

Arrangement on Guidelines for Officially Supported Export Credits. See *Export Credits Arrangement.*

Articles (of GATT).

Article 22 Consultations or Article 23 Consultations. See *consultations.*

Assimilation. A term referring to *national treatment* in the protection of *industrial property.* See *Paris Convention.*

Assists. Inputs to production -- including blueprints, designs, tools and dies, and development engineering --provided by an importer to a foreign manufacturer for use in " producing merchandise for purchase by the importer. The value of assists may be subject to import duties on grounds that they would have been reflected in the sale price if they had been obtained commercial by the foreign manufacturer.

ASYCUDA. Automated System for Customs Data. A computerized customs management system developed and implemented by UNCTAD which covers most foreign trade procedures and handles manifests and customs declarations, accounting procedures, transit and suspense procedures.

Auction Quotas. See *import to auctioning.*

Autarky. A policy that attempts to create a self-sufficient national economy entirely insulated from international trade, usually for ideological or strategic reasons. (A related concept, applying to absolute sovereignty in political relations, is referred to as *autarchy.)* Until the collapse of communism, many former East Bloc countries pursued policies of autarky relative to the capitalist world. The concept essentially denies or ignores the possibility of mutually-beneficial international trade grounded on the principle of *comparative advantage.*

Authors' Rights. A term used primarily in Latin American countries to refer to copyrights.

Automaticity. In GATT negotiations on *dispute settlement* procedures, refers to proposals to have reports of dispute panels automatically adopted by the GATT Council if no specific objections to adoption are raised --i.e., without requiring an affirmative decision by the disputing parties. Other proposals would give the country winning a GATT dispute an automatic right to withdraw concessions if, after a specified time, the defending party has neither complied with a panel's recommendations nor agreed to an acceptable timetable for compliance. GATT rules and procedures currently contain no time limits for implementation f panel reports, and implementation may be delayed indefinitely.

Auto Pact. (Formally known as the Automotive Products Trade Agreement.) A bilateral agreement signed in 1965 between the United States and Canada, providing duty-free treatment of most automotive products. The Auto Pact was augmented in 1988 by the US-Canada Free Trade Agreement, which required the phase out of remaining auto duties by 1998.

Balance of Concessions. See c*oncessions* and *reciprocity.* .

Balance of Payments. The composite record of international transactions --i.e., trading, borrowing, and lending --in which a country is involved during a given time period, such as a calendar year or quarter. The balance of payments includes commercial and government transactions for goods and services, international direct investment and bank transactions, and sales or purchases of foreign currencies (or "official reserves"). The two main components of the balance of payments are the *current account* and the *capital account.* A third component --the official settlements balance --records the net increase or decrease in a country's holdings of official reserves; it bridges any remaining gap between the current account and capital account balances, and is normally very small relative to them.

Balance of Payments Consultations. The GA *TT* permits countries to levy *quantitative restrictions* in times of acute deficits in their balance of payments. Countries invoking this provision take pan in balance of payments consultations with other GA *TT* members to justify the restrictions and specify plans to improve the payments deficit (see *Committee on Balance-of-Payments Restriction).* Articles 12 and 18 require such restrictions to be temporary, but often they remain in place for years. (Article 18, providing more flexible and lenient conditions, may only be invoked by LDC members.) The 1979 GA *TT Framework Agreement* legitimized use of nonquantitative restrictions for balance-of-payments purposes (see *import surcharge).*

Barter. The direct exchange of goods or services for other goods or services, without the use of money as a medium of exchange. Various forms of international transactions involving barter are referred to as *countertrade.*

Base Price or Basic Price. See *Common Agricultural Policy.*

Beggar- Thy-Neighbor Policy. Unilateral measures taken by a country to improve internal economic conditions --such as through massive import barriers or competitive *devaluations* --without regard for adverse effects on its trading partners. Such policies tend to provoke retaliation, and were endemic in the period leading up to World War II. See discussion under *mercantilism.*

Berne Convention. Formally known as the Berne Convention for the International Protection of Copyrights. Signed in 1886 and revised in 1971, the Convention requires *national treatment* in the protection of *intellectual property rights* by signatory countries. The Berne Convention specifies rights of authors in more detail than the *Universal Copyright Convention (UCC*), and its minimum term of protection is longer than under the UCC. See also *Paris Convention.* Not to be confused with the *Berne Union.*

Bilateralism. See discussion under *multilateralism.*

Bilateral Investment Treaty (BIT). An agreement between two countries providing for nondiscriminatory treatment of direct investments. A BIT usually contains provisions for prompt and adequate compensation in the event of expropriation;

guarantees on free transfers of investment earnings; freedom from *performance requirements;* and mechanisms for resolving disputes such as third-party arbitration. As of September 1993, the United States had signed 25 BITs --13 of which had entered into force --with another 20 under discussion with foreign countries.

Bilateral Restraint Agreement. See *export restraints.*

Binding. A formal commitment specifying maximum levels at which a GATT member's tariffs on a given product will be set. Tariff bindings provide a major element of stability to international trade by limiting large, unpredictable changes in tariff levels, since other GATT members may be entitled to *compensation* if a country raises a tariff above the *bound rate.* Many LDC members of GATT have bound few of their tariffs, however, and others --applying "ceiling bindings" at rates much higher than prevailing tariff levels -- retain considerable leeway to change tariffs at will.

Biotechnology. A term used in agriculture to refer to techniques that can be used to increase a plant's ability to control pests and disease, to tolerate environmental stress, and to enhance food qualities, such as flavor, texture, shelf-life, and nutritional con-tent. Biotechnology can be used for animals to diagnose disease, promote growth, and develop vaccines. Other uses include increasing food processing efficiency and developing more effective diagnostic techniques for testing food safety and environmental quality. Crops could be *genetically modified* to pro-vide oils, starches, carbohydrates, and proteins tailored for specific uses. See also *genetically modified organism.*

BISD (Basic Instruments and Selected Documents). A series of documents, updated at irregular intervals in supplemental volumes, containing decisions, waivers, and reports adopted by the GATT Contracting Parties and subsidiary bodies. The BISD comprises the body of GATT "case law."

Blair House Accord. A bilateral agreement between the United States and the EC Commission, concluded in November 1992 at the Blair House in Washington in an effort to resolve longstanding US-EC differences on agricultural trade issues, which had been blocking conclusion of a comprehensive agreement in the GA TT *Uruguay Round.* Through the accord, an incipient *trade war* over oil seeds was averted when Brussels effectively froze subsidized soybean production at current levels, while Washington withdrew a threat to impose 200 percent tariffs on European wines. In addition, the accord stipulated that the final Uruguay Round text should require countries to reduce their tonnage of subsidized grain exports by 21 percent over six years.

Blockade. An interdiction of international shipments to or from a particular port or country by the military forces of another country .Any nation seeking to impose a blockade must proclaim its intention to do so in order for the action to be valid under international law. Moreover, the 1856 Declaration of Paris requires that a blockade must be effective and maintained by sufficient force in order to be internationally recognized. See also *embargo.*

Blocked Exchange. A restriction forbidding the unlicensed purchase of bills of exchange, currency, or negotiable instruments denominated in a foreign currency, in order to prevent depletion of foreign currency reserves. See *exchange controls.*

Border Tax Adjustments. The remission of taxes on exported goods, including sales taxes and *value added taxes* in order to ensure that national tax systems do not impede exports. The GA n permits such adjustments for indirect taxes --based on the economic assumption that such taxes are largely passed on to consumers --but not for direct taxes (e.g., income taxes assessed on producing firms). The United States makes little use of border tax adjustments since the federal government relies more heavily on income (or direct) taxes than do most other countries.

Bound Rates. *Most favored-nation* tariff rates resulting from GATT negotiations and thereafter incorporated as integral provisions of a country's *tariff schedule.* The bound rate may represent either a tariff reduction or a commitment not to raise an existing tariff rate (see *binding).*

Bounty or Grant. A form of *subsidy.* As used in US trade legislation, the term refers to an economic inducement by a foreign government to a manufacturer within its territory to encourage exports. Such inducements may include operating subsidies or forgiveness of debt; loans and loan guarantees at below-market rates; provision of goods, services, raw materials, or capital at below-market prices; or absorption of production or distribution costs.

Bovine Meat Arrangement. Formally known as the Arrangement Regarding Bovine Meat. An agreement negotiated in the T*okyo Round* to promote expansion, liberalization, and stabilization of international trade in beef, veal, and live cattle, as well as to improve international cooperation regarding such trade. The arrangement is supervised by the *International Meat Council*. Signatories include Argentina, Australia, Austria, Brazil, Bulgaria, Canada, Colombia, Egypt, the European Community, Finland, Guatemala, Hungary, Japan, New Zealand, Nigeria, Norway, Poland, Romania, South Africa, Sweden, Switzerland, Tunisia, the United States, and Uruguay.

Boycott. A refusal to deal commercially or otherwise with a country, firm, or individual. A party to a "primary boycott" is one, which refrains from trading with the targeted country. A "secondary boycott" is one in which parties to a boycott attempt to induce other countries to adhere to the boycott, often as a condition of continued trade relations with them. See also *embargo* and *sanctions.*

Bretton Woods System. The general term for the international monetary and financial system established after World War II to foster full employment and price stability, while allowing individual countries to attain external balance without having to resort to trade restrictions. Takes its name from the July 1944 conference of 44 countries meeting in Bretton Woods, New Hampshire, to plan for postwar reconstruction and economic stability. The Conference laid the foundation for the *International Monetary Fund* and *World Bank*. A third specialized agency envisaged at Bretton Woods --the *International Trade Organization* --did not materialize, and the less powerful GATT took its place. See also *World Economic Conferences of* 1927 *and* 1933.

Brussels Tariff Nomenclature (BTN). See *Harmonized System.*

Buffer Stocks. Commodity stocks managed by countries or international organizations to moderate market price fluctuations. When prices rise above a pre-set ceiling, buffer stocks are sold, lowering market prices. When prices fall below an established floor price, buffer stocks are purchased, raising prices. Buffer stocks can limit price fluctuations in the short run, but are less effective and expensive to maintain during long- term price declines. Buffer stocks are a common feature in various countries' farm programs as well as in some international *commodity agreements.*.

Bundling. See *tying contract.*

Buy American Act. Legislation mandating preferential treatment for US products in the award of certain government contracts. The act is waived for purchases covered by the *Government Procurement Code.*

Buyback Arrangements. See *Countertrade.*

Buyer Credits. See *export credits.*

Cabotage. In shipping, the transport of goods or persons between ports within a single country.

Cairns Group. A group of non-subsidizing, agricultural exporting countries, formed in 1986 to ensure agriculture liberalization in the Uruguay Round proceed expeditiously. The Cairns Group currently consists of Australia, Argentina, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, and Uruguay.

Call. A request by an importing country for consultations with an exporting country concerning products whose shipments during a specified period are at or near a limit specified in a textile agreement. See *Multifiber arrangement (MF A).*

Capacity-building. In trade context, activities supported by the donor community aimed at strengthening the ability of stakeholders in developing countries to develop national trade policy, undertake analysis and identify their interests in international trade negotiations.

Capital Account. A summary of a country's international borrowing and lending transactions, including its foreign borrowing (investments by foreigners in the home country) as well as its lending or investments in other countries. Along with the *current account,* it is one of the principal components of the overall *balance of payments.*

Caribbean Basin Initiative (CBI). A non-reciprocal *preferential arrangement* established by the United States in 1984 to promote economic development in Caribbean countries; it was made a permanent program in 1990 under the Caribbean Basin Economic Recovery Act. Under the CBI, US duties are eliminated on all imports from beneficiary countries except textile and apparel products, canned tuna, footwear, certain leather goods, and certain watches and watch parts. Beneficiary countries are Antigua and Barbuda, the Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Caribbean-Canadian Common Market (CARIBCAN). A non-reciprocal *preferential arrangement* established by Canada in 1986 to extend tariff preferences to Commonwealth countries in the Caribbean region. Beneficiary countries are Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. Under CARIBCAN, Canadian duties are eliminated on all products imported from beneficiary countries except textiles, clothing, footwear, luggage and handbags, leather garments, lubricating oils, methanol and alcohol, and tobacco products. Product eligibility requires 60 percent local content.

Cartel. A group of producers (or producing countries) entering into a collusive arrangement to regulate pricing, production, or marketing of goods by members. The aim of a cartel is to restrict output in order to raise prices; cartel members thereby gain the profit advantages of a single monopoly, but **--**since they continue to function as separate entities **--**without the offsetting efficiency gains a monopoly may achieve through economies of large-scale production. Cartels are illegal in the United States, but more common in other countries (see *competition policy).* The *Organization of Petroleum Exporting Countries*, or *OPEC* is a prominent example of an international producer cartel. See also *allocation cartel.*

Central and East European Countries (CEECs). Includes Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia, and the former Yugoslav republics. In some recent applications, this term has been used to also include some of .the Newly Independent States (NIS) of the former Soviet Union, e.g., Belarus, Moldova, Ukraine, and the Baltic republics.

Ceiling Binding. Often used to describe a situation where there is a large difference between the tariff that is actually applied and the level at which the tariff is bound in GATT (the 'ceiling'). See also *binding*.

Centre William Rappard. Formal name of the GATT headquarters building in Geneva.

Check Price System. A device used by a government agency to avoid charges of *dumping* in foreign markets by establishing floor prices for exporting firms.

Chicken War. A *trade war* that occurred in 1962-63 between the United States and the European Community. Prior to 1962, US chicken exports had entered many European countries at a bound tariff rate. Adoption of the *Common Agricultural Policy* imposed minimum import prices on all imported chicken, nullifying prior tariff concessions and causing an estimated $26 million in losses to US poultry farmers. When attempts to achieve a negotiated resolution failed, the United States imposed retaliatory duties on European trucks, brandy, and other products.

c.i.f. An abbreviation (for "costs, insurance, and freight") used in international trade statistics and sales contracts. Transactions on c.i.f. basis mean the purchase price includes all costs of moving the goods from the point of embarkation to their destination. Until recently, most import data were given in c.i.f. terms; increasingly, they are being reported *in f.o.b.* terms.

Circumvention. Measures taken by exporting companies to forestall or evade the payment of penalty charges in an importing country such as *countervailing* or *antidumping duties.* Examples include false labeling, *transshipment,* and *screwdriver assemblies.*. See also *diversionary dumping* and *downstream dumping.*

Civil Aircraft Agreement. Formally known as the Agreement on Trade in Civil Aircraft. The only sectoral agreement covering manufactures to result from the *Tokyo Round* negotiations. Under the agreement, signatory countries eliminated tariffs on civil (i.e., nonmilitary) aircraft, engines, and components; established rules covering governments' involvement in civil aircraft purchases; and applied the GA TT *Standards Code* and *Subsidies Code* to the aircraft sector. Code signatories are proscribed from pressuring airlines to buy from particular suppliers, and may not grant or deny landing rights in attempts to influence aircraft purchases. Signatories include Austria, Belgium, Canada, Denmark, Egypt, the European Community, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Romania, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Clearing Agreements. See *Countertrade.*

COCOM List. A list compiled by the *Coordinating Committee for Multilateral Export Controls*, or *COCOM,* designating strategic or sensitive products to be denied exportation to potentially hostile countries. The COCOM List encompasses the International Atomic Energy List; the International Munitions List; and the International List, which includes both military items and *dual-use goods.* A uniform control procedure, known as the International Import Certificate-Delivery Verification System, was established by COCOM member countries to prevent diversion of restricted products. See also *Commodity*

Control List.

Code of Conduct. An international agreement establishing standards of behavior --by countries, corporations, or individuals --deemed desirable by the international community. Such codes are essentially normative statements of principle and, unlike " treaties or commercial agreements, have no binding force. Not to be confused with *GAIT Codes.*

Codex Alimentarius. See *Codex Alimentarius Commission.* The compilation of minimum grades and standards for raw and processed food products published by the Commission is known as the Codex Alimentarius. Upon adherence by a government, all "codex standards" become minimum standards by that country .See *sanitary and phytosanitary standards*.

Codex Alimentarius Commission. The 'food code'— an international set of standards, codes of practice, and guidelines and recommendations relating to food quality and safety, including codes governing hygienic processing practices, recommendations relating to compliance with standards, limits for pesticide residues, and guidelines for contaminants, food additives and veterinary drugs. The Codex Alimentarius Commission is the body responsible for compiling the standards.

Column 1 Rates. US tariff rates which have been established through international negotiation and approved by Congress. Column I rates are applied on a *most favored- nation* basis and are usually subject to *binding* in GATT.

Column 2 Rates. US tariff rates assessed on imports from countries not receiving *most- favored-nation* treatment. Most Column 2 rates date from the *Smoot-Hawley Act of* 1930 and are substantially higher than Column 1 rates.

Commitment. Technical term describing the commitments made by WTO members on national treatment and market access for service sectors as well as commitments made in tariff schedules under the GATT agreement.

Commercial Counterfeiting. A deceptive trade practice involving trademark piracy, false labeling, or other fraudulent means of claiming manufacture by a reputable producer. See *Counterfeit Code.*

Commercial Diplomacy. Commercial diplomacy is diplomacy with a commercial twist – diplomacy designed to influence foreign government policy and regulatory decisions that affect global trade and investment. Commercial diplomacy encompasses the whole analysis, advocacy and negotiating chain that leads to international agreements on these trade-related issues. Commercial diplomacy deals with political decision-making, and therefore is all about exercising political influence.

Commercial Risk. An exporter's risk that a foreign customer may be unable to pay for merchandise purchased under open account terms. Such risk contrasts with *political risk, which arises from government actions and is unrelated to the financial condition or* creditworthiness of the foreign customer. See *Foreign Credit I insurance Association.*

Commodity. Broadly defined, any article exchanged in trade, but most commonly used to refer to raw materials, including minerals and bulk-produced agricultural products.

Commodity Agreement. A formal international arrangement among exporters and importers of a commodity. Such agreements have often been advocated by commodity exporting countries for the purpose of stabilizing price fluctuations, but few arrangements have been successful in doing so. The United States currently participates in commodity agreements covering coffee, wheat, jute, rubber, lead and zinc, tropical timber, copper, and cotton; of these, only the International

Natural Rubber Agreement currently contains economic stabilization measures. See *international commodity organization;* see also *buffer stocks* and *export quota agreement.*

Commodity Control List. A listing of products subject to *export controls* administered by the US Department of Commerce. The list includes items on the multilateral *COCOM List* as well as those subject to unilateral US restrictions.

Common Agricultural Policy (CAP). The system of production targets and marketing mechanisms maintained by the European Community to manage farm trade within the EC and with the rest of the world. Article 39 of the *Treaty of Rome* established the CAP as a mechanism merging the individual member states' agricultural policies into a unified program to promote regional agricultural development, fair and rising standards of living for the farm population, stable agricultural markets, increased agricultural productivity, and methods of dealing with security of food supply. The main categories of CAP market-management and support mechanisms are:

> **Support Prices** covering most grains, sugar, milk, beef, veal, pork, certain fruits and vegetables, table wine, and fishery products.
>
> **External Protection** without price supports, applying to eggs, poultry , certain fruits and vegetables, flowers, and wine other than table wine.
>
> **Deficiency Payments** or supplementary product aid to producers, covering olive oil, some oilseeds, tobacco, sheepmeat, tomatoes, and raisins.
>
> **Flat-Rate Aid** based on acreage or output, covering durum wheat, cotton seed, flax seed, hempseed, hops, and dehydrated fodder.

The CAP was designed as a policy that relied extensively on trade measures to maintain and stabilize internal prices. Thus, two of the most prominent features of the CAP in terms of its effects on international trade are the *variable levy*, and *export subsidies* to promote exports of farm products that cannot be sold within the EC at target prices. The CAP mechanisms for managing the domestic market and regulating imports are based on a variety of price concepts, the main types of which are:

> Target Price. An optimum wholesale price established with reference to the income requirements of EC farmers and consumer interests as well as to world market prices. The products concerned are grain, sugar, milk, olive oil, rapeseed, and sunflower seed. When the commodity price falls below the target price, the EC intervenes to purchase supplies and raise prices. To encourage distribution, the target price for a commodity in an area experiencing shortages may be reduced by the cost of transport from areas within the EC where excess supplies exist.
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> Guide Price. Corresponds to the target price, but applies to beef, veal, and wine.
>
> Base Price or Basic Price. Corresponds to the target price, but applies to pork.
>
> Norm Price. Corresponds to the target price, but applies to tobacco.
>
> Threshold Price. A minimum import price for grain, sugar, milk products, and olive oil, calculated so that the imported product (after payment of transport costs) cannot be sold at less than the target price; the difference between the world price and the threshold price is covered by a *variable levy.* The threshold price for grain is computed by subtracting from the target price the costs of inland transportation from the

nearest ocean port to the EC market center showing the greatest shortage of the commodity.

Gate Price (also known as a "Sluice-Gate Price" or "Lock-Gate Price"). A minimum import price established for pork, poultry, and eggs. The gate price is derived by computing the cost of feed --adjusted quarterly in relation to world market prices -- and other factors constructed to represent producer costs in the non-EC country with the highest technical efficiency. When the price of an imported product falls below the gate price, a *supplementary levy* is imposed to neutralize the presumed price advantage of the foreign producer.

Reference Price. A minimum import price established for fruit and vegetables, wine, and certain fishery products. The reference price is established in relation to EC producer prices in a way similar to the gate price, but modified to reflect the special characteristics of the relevant commodity markets. A *countervailing charge (not to be confused with a countervailing duty)* may be levied in addition to the normal customs duty to cover the difference between the entry price of an imported product and the reference price.

Intervention Price. The price at which EC intervention agencies are obliged to purchase commodities offered on the market. The products concerned are grain, sugar, butter, powdered milk, certain cheeses, olive oil, rapeseed, beef, veal, pork, and tobacco.

The CAP came into effect in 1961; at that time, the original EC member states were large net importers of most agricultural products. While variable levies under the CAP isolated EC producers and consumers from world market forces, it was not seriously disruptive to world trade for products in which the EC was a net importer. Since the 1970s, however, a combination of CAP price incentives and technological advances led to increased agricultural investment and domestic production increases at a time when European demand for farm products was stagnant or falling. The EC consequently went from a net importer to a major net exporter of grains, sugar, meat, and poultry, leading to escalating trade frictions with other countries. At the same time, the CAP has been beset with problems arising from monetary fluctuations, costly subsidies, overproduction, and high price support levels.

Common External Tariff. A uniform tariff schedule applied by members of a *customs & union* or *common market* to imports from nonmember countries.

Common Market. A group of countries formally committed to the unrestricted movement of goods, services, and factors of production traded among themselves. Features of a common market include elimination of tariffs and other barriers to internal trade, including harmonization of national standards that regulate the sale and distribution of goods; establishment of a common external tariff; and abolition of capital controls and restrictions on labor mobility among members. A common market may seek to harmonize macroeconomic policies or promote political unification, but this is not a necessary feature. See also *customs union* and *economic union.*

Comparative Advantage. Relative efficiency in production of one particular product or class of goods over another class of goods. Differences in comparative advantage among countries are the basis for mutually beneficial specialization and trade. (Not to be confused with *absolute advantage,* in which comparison is made with other countries; for, even if a country were absolutely more efficient than others in producing every product, it could still benefit by specializing' in—and exporting—products in which its comparative advantage is highest, and importing the other products.) In principle, an international trading system organized around the concept of comparative advantage should increase worldwide efficiency and standards of living. In this sense, it is the basis for viewing international trade as a "win-win proposition" rather than the "winners and losers" model assumed by *mercantilism.* See also *terms of trade; free trade, industrial policy;* and *inter/intra-industry trade.*

Compensation. Trade concessions granted by a GATT member to offset the disadvantage caused to other members whose exports are affected by its withdrawal or suspension of previously-agreed trade concessions or *bindings.* Compensation usually takes the form of reductions of tariffs on other products of commercial interest to the countries being compensated. See also *consultations* and *dispute settlement.*

Compensatory Tax. An import levy applied by the European Community to certain agricultural products when the import price is below a reference *(or* minimum target) price and reflects an export subsidy. Not the same as a *variable levy.*

Competition Policy. A broad category encompassing *antitrust* and other policies to remedy the imperfectly competitive nature of key industries. Includes what is termed "antitrust policy" in the United States and "antimonopoly policy" in most other countries, as well as regulation of state aids to industry .Competition policy seeks to affect *market structure* and *market conduct,* in order to achieve *market performance* goals. Trade- related competition policy issues include the impact on international trade of *restrictive business practices* including intrafirm agreements of multinational corporations (e.g., *transfer pricing); strategic partnerships,* cartels and private restraints on bilateral trade; distribution monopolies and the procurement practices of private monopolies; and the impact on market structures of mergers and acquisitions across borders. One approach to competition policy seeks establishment of uniform antitrust rules in all major countries. Short of such an ideal, other advocates argue, competition policy should focus on elements in countries' economic institutions that impede domestic and international, competition and negotiate for their removal, along with multilateral negotiation of new policy codes for the behavior of governments and firms. See *managed trade, strategic trade policy,* and *restrictive business practices;* see also *Export Trading Company Act.*

Competitive. As applied to internationally traded goods, refers to a country's or a firm's products being preferred by a significant share of the world's consumers over competing products from other sources, because of lower price, higher quality, superior performance characteristics, more effective marketing, association with better services such as delivery terms or guaranteed repairs, or some combination of these factors (see *competitiveness).*

Competitive Advantage. (Not the same as *comparative advantage.)* A market position established either by providing comparable buyer value more efficiently than competitors, or by performing activities at comparable cost but in unique ways that create more buyer value through *differentiation.*

Competitive Performance. The measurable results of *competitiveness (*i.e., the outcome of a country's or a firm's efforts in selling *competitive* goods or services in international trade). Frequently used measures of competitive performance are market share (share of total sales from all sources in a given country, or of total world exports of a particular product); trade balances (or export-import ratios, which permit comparisons among industries of different sizes); and *revealed comparative advantage.* Most measures of competitive performance are flawed for purposes of policy analysis if used in isolation (see discussion under *terms of trade).* Some writers use *competitiveness* and *competitive performance* interchangeably, thereby confusing cause with effect.

Competitive Policies and Practices. Actions by governments or firms to affect their *competitive performance* in international markets. Such actions can be legal (e.g., government-to-government lobbying or export promotion) or illicit (e.g., bribery or deceptive trade practices), and some are subject to multilateral agreements (e.g., tied aid or concessional trade finance). Such practices may be undertaken by nations or firms to compensate for or bolster their underlying *competitiveness.* Illicit practices on the part of individual firms are usually termed "unfair business practices," as distinguished from *unfair trade practices* which are actionable under multilateral trade rules.

Competitiveness. The ability of a nation or firm to sell *competitive* goods or services in international trade. Several aspects of competitiveness are involved in shaping international trade patterns, and can be categorized as:

> **Price Competitiveness --**determined by the interaction of four factors leading to competitive prices on world markets: real input costs (material prices, wage rates, and the *cost of capital);* productivity; profit margins; and the exchange rate. Most firms have some control over the first three factors but have no control over the exchange rate. Government monetary and fiscal policies may directly or indirectly affect the first and fourth factors, while *industrial targeting* seeks to influence the second and third. Changes in competitive factors do not always occur in unison; shifts in one of the factors can be offset by movements in the opposite direction by another factor.
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> **Technological Competitiveness --**representing the ability to provide leading-edge technical capabilities, superior performance characteristics, fuel economy, or reliability. Technological competitiveness can sometimes be more important than price competitiveness in international trade, particularly in advanced-technology industries such as telecommunications equipment and aerospace.
>
> **Commercial Competitiveness --**reflecting the vigor, creativity, and effectiveness of firms' entrepreneurial activities, including marketing and distribution and the provision of associated services that increase buyer value.

Apart from such fundamental aspects of competitiveness, firms and governments sometimes try to manipulate competitive outcomes by engaging in *competitive policies and practices*, or in *unfair trade practice*. See also *competitive performance* and *terms of trade*.

Complementation Agreement. An agreement between a manufacturing firm and two or more governments to reduce or eliminate duties on specified items produced by the firm in one of the signatory countries. Complementation agreements are usually granted to induce a firm to establish manufacturing facilities in one of the signatory countries, by ensuring access to all of the signatories' markets for its output.

Complementary Exporting. An arrangement in which a manufacturer markets products internationally through the distribution channels of another firm, usually a producer of similar but non-competing products.

Compulsory Licensing. A term used in the context of *intellectual property rights*, primarily with regard to licensing of pharmaceutical patents. It refers to the legal authority to compel a holder of a patent to license production to a local firm as a condition of patent protection and sale in that country. Compulsory licenses may be granted by a government allowing local parties to use a patent, copyright, or trademark with or without the owner's consent, and are usually granted on grounds of national security or overriding national interests, or of non-working by the original owner. Proponents argue that compulsory licensing can lead to increased competition and reduced prices by encouraging production among a larger number of producers. Critics argue that such measures have the same trade-distorting effect as a *local-content requirement* or *performance requirement.*

Computable general equilibrium (CGE) models. Mathematical characterizations of the economy, used to predict the impact of policy changes taking into account both direct effects as well as indirect effects that work through labor and other markets.

Compound Tariff. A combination of a *specific duty* and an *ad valorem* tariff on the same imported item (e.g., $100 per unit plus 5 percent of the assessed value). Sometimes called a "mixed tariff."

Computed Value. (Not to be confused with *constructed value.)* An alternative method permitted by the *Customs Valuation Code* for establishing the value of imported merchandise for customs purposes when neither the *transaction value* nor the *deductive value* can be determined. The computed value is the sum of various production costs and charges associated with preparing goods for export, together with imputed profit and overhead.

Concertina approach. Method of reducing tariffs by lowering the highest rates first, then the next highest, etc.

Concession. An agreement to reduce import restrictions --such as through a tariff reduction or *binding* --granted in negotiations in return for equivalent concessions by trading partners. See *reciprocity.*

Concessional Sale. A sale on terms that are more generous than normal commercial conditions would otherwise dictate. Such terms may include reduced sales prices, special low-interest financing or extended payment terms, or acceptance of a "soft" currency in settlement of the transaction. Concessional sales are often made in conjunction with foreign aid programs, but they may also be an aspect of governmental or corporate *competitive policies and practices.*

Conditional MFN. The granting of *most favored-nation* treatment subject to the recipient country's compliance with specific terms or conditions. Because all members of GA TT are expected to accord unconditional MFN treatment to other members, conditional MFN is normally applied only to countries that do not belong to GATT.

Confrontation and Justification. In negotiating parlance, refers to the process of defining country positions through multilateral cross-examination. Following confrontation, or questioning of a country's policy position or negotiating offers by other countries, the country being confronted is expected to respond with justification of its stand on the points raised.

Consensus. In GATT parlance, the outcome of a negotiated decision among contracting parties in which sufficiently generalized support for a position is achieved to permit action. A decision in GA TT is made by consensus if no party formally objects to the decision, and is almost always achieved by avoiding rather than utilizing voting. Because GATT is a contractual arrangement, members cannot normally be bound through voting procedures in "majority rule" fashion. As a result, virtually all GATT decisions are by consensus except decisions on amendments, waivers, and accessions. In any given case, a dissatisfied GATT member must decide whether the issue warrants expending negotiating capital in blocking a consensus. Consensus decisions in GATT are not necessarily optimal; one former negotiator referred to the GATT consensus process as a "balance of dissatisfaction." See also *reverse consensus.*

Consortium. A *joint venture* involving three or more participating entities.

Constructed Value. *See fair value;* not to be confused with *computed value.*

Consular Fees and Formalities. Special charges and procedures --such as documents that must be approved by a designated official--required by importing countries as a prerequisite for permission to import merchandise. Cumbersome consular formalities are especially widespread among developing countries and, because substantial fees are often charged for required authorizations, they can function as a significant *nontariff barrier* to trade. See also *customs and administrative entry* *procedures.*

Consultations. Any GATT member that believes its trade interests have been adversely affected by changes in the trade policy of another member, or by failure of another member to live up to its obligations, may request consultations with the offending country:

> Article 22 stipulates that contracting parties must be receptive to requests for consultation "on any matter affecting the operation of the Agreement" --i.e., even if no violation of GATT rules or commitments is at issue. Article 22 consultations are important because they give members an opportunity to negotiate solutions to trade problems on a bilateral basis within the framework of the GATT. Should bilateral consultations under Article 22 fail to resolve a dispute, one or both of the parties may "raise the ante" by invoking Article 23.
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> Article 23 also provides for bilateral consultations --as a prerequisite for invoking the multilateral *dispute settlement* process --if a GATT member believes that the actions or inaction of another member have caused *nullification or impairment* of benefits *r* expected under GATT .As such, Article 23 consultations represent a higher threshold of "seriousness" since they can culminate in multilateral review and recommendations from the GATT Council on how to resolve a dispute.

Consumer Subsidy Equivalent (CSE). The percentage by which consumer prices on an item are affected by direct or indirect government supports to producers.

Content, Domestic or Local. Rules establishing a minimum proportion (by value or volume) of a product that has must be domestically or locally produced in order to obtain a benefit (e.g., a tariff concession or permission to be offered for sale).

Contestability. A market is contestable if new suppliers can enter it easily. The threat of such entry is a discipline on the incumbent suppliers and can prevent prices from rising far above costs, because any excess profits will be rapidly followed by entry.

Contingent Protection. Trade barriers that are imposed if certain circumstances (contingencies) are met. Examples include anti-dumping or countervailing duties (to offset subsidies) and safeguards. Also called Administered Protection.

Contingent Reciprocity. See *selective reciprocity.*

Contracting Party (CP). Formal term designating a signatory to the GATT (the term "member" of the GATT is often used informally). As signatories, contracting parties have accepted specific *obligations* and benefits of the General Agreement and have agreed to follow GATT rules in conducting their trade policy. Because of the *most- favored-nation* principle, all CPs receive the benefits of lower tariffs and trade barriers that have been negotiated in GATT, as well as recourse to GATT procedures for settling disputes with other members. CPs need not be independent, sovereign countries --Hong Kong and Macau are GATT members, for example --but must be autonomous in setting their trade policies. When written in capital letters, "CONTRACTING PARTIES" in GATT documents refers to the collective membership of the GATT , acting jointly rather than in their individual capacities. This entity is the only legally recognized body in GATT, as the Agreement itself makes no provision for a secretariat or for any subsidiary organs.

Conventional Duty. A tariff or customs duty arising out of an international agreement, as contrasted with an "autonomous duty" unilaterally levied by a government. '"

Convention on International Trade in Endangered Species of Flora and Fauna (CITES). A multilateral agreement signed in 1973 to suppress international trade in endangered species of wildlife and plants. Signatories committed themselves to interdict exports or imports of species listed in the agreement, with limited exceptions.

Convention on Settlement of Investment Disputes Between States and Nationals of Other States. A multilateral agreement, signed among World Bank member states in 1965, that established the *International Center for Settlement of Investment Disputes.* Signatories committed themselves to recognize decisions and arbitral awards in investment disputes referred to the Center as binding.

Conventional International Law. International law arising from formal agreements among nations, as contrasted with *customary international law,* or international law that has developed through custom and usage over time.

Convertibility. The ability of a nation's currency to be exchanged for other currencies without governmental restriction in settlement of *current account* transactions. Currencies are convertible in varying degrees; a currency that cannot be freely purchased or sold by nonresidents is said to be inconvertible. See *exchange controls.*

Copyright. The exclusive right of authors, composers, playwrights, artists, publishers, or distributors to publish and dispose of their work for a specified time. Copyright protection varies from country to country, and its enforcement is a major issue in international negotiations concerning *intellectual property rights.*

Cost of Capital. For any given level of corporate risk, the cost of capital faced by f1rn1s in a given country --a key element of their *competitiveness* --is essentially determined by four factors: (1) interest rates, or the cost of borrowing, prevailing in the country; (2) tax policies, including tax credits, depreciation schedules that mayor may not be faster than the true rate of economic depreciation, and the tax deductibility of interest costs; (3) .the firms' capital structure or financial leverage --since they may raise funds not only from borrowing but from equity, i.e., retained earnings and new stock issues, which normally has a higher cost that debt financing; and (4) the financial structure of industry - -including "risk pooling" among affiliated firms and banks --and firms' access to domestic and international capital markets.

Cotonou Agreement. Partnership agreement between the EU and the ACP countries signed in June 2000 in Cotonou, Benin. Replaces the Lomé Convention. Its main objective is poverty reduction, "to be achieved through political dialogue, development aid and closer economic and trade cooperation."

Counterfeit Code. A draft agreement, initiated in the closing stages of the *Tokyo Round* but never concluded, which would have addressed *commercial counterfeiting* problems in international trade. The initiative set the stage for subsequent work in the *Uruguay Round* on protecting *intellectual property rights.*

Counterpurchase Contracts. See *Countertrade.*

Countertrade. An international commercial agreement in which a buyer pays for purchases wholly or partly with something other than money. Countertrade transactions can take various forms:

Counterpurchase contracts obligate the foreign seller to purchase from the buyer goods and services unrelated to the goods and services sold.

Reverse countertrade contracts require the importer to export goods equivalent in value to a specified percentage of the value of the imported goods.

Buyback arrangements obligate the foreign seller of a plant, machinery, or technology to buy from the purchaser a portion of the subsequent production during a specified time period.

Clearing agreements between two countries stipulate that each signatory is required to purchase certain amounts of each other's products over a specified period using a designated "clearing currency."

Switch trading involves a purchaser in one country assigning to a seller in another country an obligation due from a third party as compensation for goods purchased.

Swap schemes involve parties exchanging equivalent goods at different locations to minimize transportation costs.

Countervailing Charge. A charge in addition to normal import duties that may be imposed under the European Community's *Common Agricultural Policy* on imports of certain fishery products, fruits and vegetables, and wine, to match the difference between the reference price and the entry price (for fishery products and fruits and vegetables) or the free-at-frontier price plus customs duty (for wine).

Countervailing Duty (CVD). A special duty levied on imports to enable domestic producers to compete on an equal footing with subsidized foreign producers. CVDs are levied in addition to normal tariffs, in an amount necessary to offset government subsidies in the exporting country .US trade law empowers the President to levy CVDs equal in amount to any "bounties or grants" extended by other governments to exporters, although the law does not specify what kinds of government practices should be considered actionable; see *export subsidies.* GATT Article 6 permits and regulates the use of CVDs; additionally, signatories to the GA 1T *Subsidies Code* are required to meet an *injury test* before levying CVDs on imports from another signatory nation. Because foreign subsidies usually reflect broader government policies and programs, countervailing duties are frequently the object of intense and sometimes acrimonious bilateral diplomacy. CVDs are not used as a remedy to *dumping*, which refers to pricing practices by foreign firms.

Countries in Transition (CITs). A group of countries classed by the International Monetary Fund as countries in transition to market economies. The CITs include Albania, Armenia, Azerbaijan, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Poland, Romania, Russia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Prior to 1993, the IMP had used the term "former centrally planned economies" in referring to these countries. See *former East Bloc countries.*

Country of Origin. For purposes of customs administration, the country in which an imported product was manufactured, produced, or grown. When goods pass through more than one country in the manufacturing process, the country of origin does not change unless the product has been substantially transformed. In general, a product is considered to have originated in the country in which at least 50 percent of its final value was derived, although higher percentage thresholds are sometimes used. In the case of goods entering the United States under the *Caribbean Basin Initiative* or the *Generalized System of Preferences*, lower levels of local value-added may be allowed in establishing eligibility .See *rules of origin.*

Coverage. The extent of applicability of a trade action, agreement, or policy.

Credit (for autonomous liberalization). Mechanism through which developing countries are granted recognition in WTO talks for unilateral liberalization of the trade regime that has occurred in the period before negotiations commence. Past efforts by developing countries to establish such a mechanism were not successful.

Cross-Retaliation. *Retaliation* in one sector of trade, such as agriculture, to counter unfair actions or violations of agreements affecting trade in another sector, such as services.

Cross-licensing. An arrangement in which a firm grants a license to another firm to exploit proprietary rights in its patents, trademarks, or trade secrets, in exchange for similar licensure to use intellectual property rights of the recipient firm.

Cross-subsidization. The use of financial resources accumulated by a multinational f1rn1 in one part of the world to fight a competitive battle in another region or country .See *globalization.*

Currency Controls. See *exchange controls.*

Current Account. The portion of a country's *balance of payments* that records "visible" trade (exports and imports of goods), "invisible" trade(income and expenditures for services), interest payments, and transfer payments such as foreign aid. A current account deficit is essentially offset and financed by a *capital account* surplus -- representing a net inflow of investment funds --and conversely, a current account surplus will be matched by a capital account deficit. Any gap remaining between the current and capital accounts is bridged by changes in official reserves (recorded in the official settlements balance).

Customary International Law. International law that has arisen from custom and usage, and that is recognized and accepted as binding even though not codified. See also *conventional international law*.

Customs and Administrative Entry Procedures. Formalities applying to customs clearance of imported goods at national ports of entry, including health and sanitary certificates, certificates of origin disclosing the name and location of the manufacturer, and consular invoices. Such procedures can result in increased import costs that inhibit trade even when not intended to do so. See also *consular formalities and documentation* and *Kyoto Convention.*

Customs Classification. The determination of the appropriate category in which a traded product is classified for tariff purposes. Also refers to the coding system or "nomenclature" used by customs officials as a guide in determining which tariff rate applies to a particular item. See *dutiable status.*

Customs Duty. Charge levied on imports and listed in importing country's tariff schedules. Duties may be specific or ad valorem or a combination of the two (ad valorem with a specific minimum, or the greater of the two). See also *duty* and *tariff*.

Customs Harmonization. Intemational efforts to increase the uniformity of customs procedures such as valuation, nomenclature, and enforcement by participating countries. See *Harmonized System.*

Customs Territory. The geographical area within which a country1s customs authority is empowered to impose duties and controls upon foreign merchandise entering the territory .The customs territory does not necessarily encompass all the territory over which the nation asserts sovereignty. The customs territory of the United States, for example, does not include the Virgin Islands, American Samoa, or *various foreign trade zones* established within the United States. On the other hand, a country's customs territory may extend to other sovereign states. Monaco, for example, is part of the customs territory of France.

Customs Union. A group of countries that have agreed to eliminate barriers to trade among themselves while harmonizing their tariffs on imports from nonmember countries into a *common external tariff.* A customs union represents a level of economic cooperation intermediate between *a free trade area* and a more closely integrated *common market.* Unlike a common market, it does not provide for free movement of capital and labor among members.

Customs Valuation. The process of appraising the value of imported goods on which duties are to be assessed, according to the *tariff schedule* of the importing country.

Customs Valuation Code. Formally known as the Agreement on Implementation of Article VII of the GA TT. A *GAIT Code* establishing rules for the determination of value for customs purposes, designed to provide a fair, uniform, and neutral system of valuation, and to preclude use of arbitrary or fictitious values as a disguised form of protectionism. The cornerstone of the Code is the presumption that the actual sale price - -or *transaction value* --will be used whenever possible for valuation purposes; the *deductive value* or the *computed value* methods may be used in cases where the transaction value cannot be determined. Signatories include Argentina, Australia, Austria, Brazil, Canada, Cyprus, Czech Republic, the European Community, Finland, Hong Kong, Hungary, India, Japan, Korea, Lesotho, Malawi, Mexico, New Zealand, Norway, Poland, Romania, Slovakia, South Africa, Sweden, Switzerland, Turkey, the United Kingdom, the United States, and Zimbabwe.

Customs Value. A method of valuing imported goods which excludes shipping costs from the final price.

Cutthroat Competition. Predatory or discriminatory pricing practices intended to drive out competition and establish *market power.* Such practices are proscribed by *antitrust 4 laws in the United States, but they are often employed in other countries. See predation.*

DAEs. See *Dynamic Asian Economies.*

Deadweight Loss. The net cost to society due to *market imperfections* or government interventions such as trade restrictions --i.e., losses by consumers or producers that are not offset by gains elsewhere, such as increased government revenues.

Decoupling. A concept aimed at making government agricultural programs trade-neutral - by breaking the link between assistance to farmers and farmers' decisions to produce and sell agricultural products. Direct income supports are a form of decoupled assistance.

Deductive Value. An alternative method of valuing imported merchandise for customs purposes, permitted under the *Customs Valuation Code* if none of the methods for establishing *transaction value* is appropriate. Under the deductive value method, the customs value is determined by using the first sale price of the goods in the importing country, and deducting certain costs incurred after importation; it is not normally used on goods destined for further processing or manufacturing within the importing country (see *super deductive).* An alternative to the deductive value method is *computed value.*

Deep integration. Inter-governmental cooperation in designing and applying domestic policies such as taxes, health and safety regulations, and environmental standards. May involve either harmonization of policies or mutual recognition;

generally occurs in the context of regional integration agreements.

De Facto Member of GATT. A former dependency of a GATT member that since attaining independence has applied the GATT on a de facto basis, pending final determination of its commercial policy. Based on its previous association with the GATT as a colony or protectorate of another member, a de facto member may become a .full Contracting Party --without engaging in lengthy *accession* negotiations --simply by notifying the Director-General of its intention to accede. In September 1993, there were 20 de facto members of GATT.

Defensive Investment. An investment undertaken in order to protect larger commercial interests rather than for the return that the investment itself generates.

Deficiency Payments. Government payments to compensate producers --usually farmers --for all or part of the difference between domestic market price levels for a commodity and a higher, governmentally guaranteed price. See *variable levy.*

Degressivity. The characteristic of a trade restriction, which diminishes in severity over time. A degressive measure could take the form of an import quota with a "growth provision" to enlarge progressively the amount permitted to be imported, or a tariff the rate of which automatically declines according to a specified timetable.

Deindustrialization. A term denoting a negative impact of international competition on the overall size of a country's manufacturing sector (also known as "hollowing-out"). Generally refers to an absolute decline in industrial output or employment rather than simply a decline relative to other sectors of the economy (i.e., *structural change).*

Demarche. A formal diplomatic communication of a country's position on an issue, presented to an official representative of another country.

Depreciation. A decline in the purchasing power of a currency, relative to one or more .other currencies, as a result of market forces rather than government action. See also *devaluation.*

Derogation. In negotiating parlance, an exemption from part of an agreement demanded by a country as a condition for its acceptance of the remaining obligations or commitments.

Devaluation. The lowering of the value of a currency, relative to one or more other currencies, as a result of deliberate government action. Both *depreciation* and devaluation tend to boost demand for the country's exports by reducing their prices in .terms of foreign currencies, and to reduce domestic demand for imports by raising their prices in terms of the home currency. Devaluation can provide a short-term boost to an economy encountering balance of payments imbalances --by altering its *price competitiveness* --but generally has inflationary consequences.

Developed Countries. See *industrial countries.*

Developing Countries or Less-Developed Countries. A broad range of 130 countries that are distinguished from the *industrial countries* by their lack of a high degree of industrialization, infrastructure and other capital investment, or of advanced living standards among their populations as a whole. The LDCs are sometimes collectively designated as the "South" because a large number of them are in the Southern Hemisphere. All of the countries of the Western Hemisphere (except Canada and the United States); Africa (except South Africa); and Asia and Oceania (except Japan, Australia, and New Zealand) are usually classed as LDCs, as are Cyprus, Malta, and Turkey in Europe. Current usage has not produced a consensus on whether the "industrial" or "developing" term applies to countries of Eastern Europe and the former Soviet republics, although the International Monetary Fund classes the latter as *countries in transition.*

The World Bank categorizes the developing countries and countries in transition (in ascending order of GNP per capita) as follows:

> Low-income countries: Mozambique, Tanzania, Ethiopia, Uganda, Bhutan, Guinea-Bissau, Nepal, Burundi, Chad, Madagascar, Sierra Leone, Bangladesh, Laos, Malawi, Rwanda, Mali, Burkina Faso, Niger, India, Kenya, Nigeria, China, Haiti, Benin, Central African Republic, Ghana, Pakistan, Togo, Guinea, Nicaragua, Sri Lanka, Mauritania, Yemen, Honduras, Lesotho, Indonesia, Egypt, Zimbabwe, Sudan, and Zambia.
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> Lower-middle-income countries: Bolivia, Cote d'Ivoire, Senegal, Philippines, Papua New Guinea, Cameroon, Guatemala, Dominican Republic, Ecuador, Morocco, Jordan, Tajikistan, Peru, El Salvador, Congo, Syria, Colombia, Paraguay, Uzbekistan, Jamaica, Romania, Namibia, Tunisia, Kyrgyzstan, Thailand, Georgia, Azerbaijan, Turkmenistan, Turkey, Poland, Bulgaria, Costa Rica, Algeria, Panama, Armenia, Chile, Iran, Moldova, Ukraine, Mauritius, Czech Republic and Slovakia, , Kazakhstan, and Malaysia.
>
> Upper-middle-income countries: Botswana, South Africa, Lithuania, Hungary, Venezuela, Argentina, Uruguay, Brazil, Mexico, Belarus, Russia, Latvia, Trinidad and Tobago, Gabon, Estonia, Oman, South Korea, Saudi Arabia, and the former Yugoslav republics.

In addition, Israel, Hong Kong, and Singapore --which are usually included among the developing countries--are classed by the World Bank as "high-income countries" along with OECD members. On the other hand, Portugal and Greece --which are classed as industrial countries by the IMF--are placed by the World Bank in the "upper-middle-income" category.

Within GATT articles, numerous references are made to "developed contracting parties" and to "less-developed contracting parties," but few criteria are given for establishing which category a particular country belongs to; as in most GATT decisions, such a determination is achieved by consensus. See also *industrial countries, newly-industrialized economies (NIEs),* and *least-developed countries (LDCs),* as well as *graduation.*

Development Box. A proposal for the WTO Agriculture negotiations that envisages special provisions for only developing countries with regard to agriculture. The development box would, for example, provide exemptions from commitments, the possibility of negotiating higher tariffs for agricultural products in developing countries (to allow for food security), allowing developing countries to use simple safeguards, a ban on anti-dumping cases on agricultural products by developed countries, an international food security fund, as well as many other special provisions for developing countries. The development box and the items the development box includes still needs to be negotiated.

Development Subsidies. See *Green Box*.

Differential Exchange Rates. See *multiple exchange rates.* **Differentiation.** A key element in firms' *competitive advantage.* Refers to market conditions in which a product can vary in some significant way from firm to firm producing it, and purchasers demonstrate preferences about which supplier to patronize in terms of these non-price differences. Factors contributing to product differentiation include quality and performance variations, special service conditions, and advertising.

Dillon Round. The fifth *GAIT Round* of multilateral trade negotiations, held in Geneva from May 1959 through July 1962.

The Round focused on revision of the GATT agreements and the addition of new countries. Tariff reductions, which were based on *item-by-item negotiations*, averaged roughly 10 percent on $4.9 billion of trade among the 45 participating countries. The Round was named for C. Douglas Dillon, then US Under Secretary of State, who led moves to launch the Round.

Direct Taxes. Taxes on all forms of income including wages, profits, interest, rents, and royalties, or on the ownership of real property. Under GATT Article 6 and the *Subsidies Code*, the rebate of direct taxes on exported products --but not of *indirect taxes* --can be considered an *export subsidy* and be penalized by a *countervailing duty.* The direct tax/indirect tax distinction in GATT creates a disadvantage for US firms, since other countries tend to rely on indirect taxes while the United States relies more on direct taxes for revenue purposes.

Disciplines. In GATT parlance, refers to members' substantive obligations undertaken by members to refrain from discriminatory trade practices. Generally refers to the key principles upon: which GATT rules are based, notably *non-discrimination, national treatment,* and *transparency.*

Discrimination. Inequality in trade treatment accorded by an importing country to one or more exporting countries. Some forms of discrimination may be sanctioned by GATT, such as preferential tariff rates *for* imports from LDCs or from partners in *a free- trade area.* Discrimination may also involve trade restrictions that apply to the exports of certain countries but not to similar goods from other countries (see *selectivity* and *grey area measures).* The opposite of discrimination is *most1avored-nation (MFN)* treatment.

Dispute Panel. See *panel of experts.*

Dispute Settlement. The process of negotiation, consultation, conciliation or mediation, and resolution of trade-policy conflicts between GATT Contracting Parties, usually through a negotiated compromise between opposing claims. GATT Articles 22 and 23 establish the basis for procedures a Contracting Party may follow --sometimes including referral to an impartial *panel of experts* or *working party* of countries not involved in the dispute --to obtain redress if it believes its benefits under GATT have been impaired. See *consultations.*

Dispute Settlement Body. WTO body that is responsible for dealing with disputes between WTO members. Consists of all WTO members meeting together to consider the reports of dispute settlement panels and the Appellate Body.

Diversionary Dumping. Sales by a firm at less *than fair value* in a foreign country, where the product is further processed and exported to a third country .See also *downstream dumping.*

Doha. The capital of Qatar, on the Persian Gulf. It was a tiny village before oil production began in 1949. Population: 217,294. This was the place that the 4th WTO Ministerial Conference took place and the Doha Development Agenda was launched. See *Doha Development Agenda*.

Doha Development Agenda. Trade Ministers from 142 countries met in Doha, Qatar for the Fourth Session World Trade Organization Ministerial Conference from 9-14 November 2001. The Conference launched a new round of multilateral trade negotiations referred to as the Doha Development Agenda (but also commonly referred to as the “Doha Development Round,” or just the “Doha Round”). The key document that emerged from the meeting was a Ministerial Declaration that launched a new round of trade negotiations that will include services, agriculture, industrial tariffs, environment, implementation issues, intellectual property, dispute settlement and WTO rules. In addition to launching negotiations, the

Declaration seeks to develop consensus on rules for investment, competition policy, transparency in government procurement and trade facilitation (the Singapore issues) but delays launching negotiations on these issues until after the Fifth WTO Ministerial Conference in 2003. The Declaration also includes a mandate to examine in the Work Program trade-related aspects of electronic commerce; small economies; the relationship of trade, debt and finance; and transfer of technology. Emphasized throughout the Declaration is the importance of providing technical and financial assistance to integrate developing and least-developed countries (LDCs) into the multilateral trading system. The focus on developing countries has led the Work Program for the new round to be called the "Doha Development Agenda."

Domestic Content Requirement. A requirement that foreign firms selling a particular product must use goods produced within the importing country as a specified minimum percentage of their inputs. Similar measures relating to inward direct investments are referred to as *local-content requirements.*

Domestic Subsidy. Government aid to a domestic manufacturer, grower, or producer to "maintain or increase production". Common incentives include direct payments, tax relief, and low-interest loans. As distinguished from an *export subsidy,* a domestic subsidy is not explicitly or solely directed at exports, although it may nonetheless have a significant trade impact GATT Article 16 establishes substantive obligations or disciplines only regarding the use of export subsidies, not domestic subsidies. The GATT *Subsidies Code* recognized that domestic subsidies are widely used for the promotion of social and economic policy objectives, but requires signatories applying them to "seek to avoid" creating adverse affects on the trade interests of other signatories.

Double-Column Tariff. A *tariff schedule* listing two duty rates for some or all commodities. In any given case, the applicable rate depends on the exporting country's trade relationship with the importing country.

Downstream Dumping. Sales at below cost in a firm's home country to a "downstream producer," which further processes the product and exports it Similar transactions involving a downstream producer located in another country are referred to as *diversionary dumping.*

Draft Final Act (DFA). See *Dunkel Draft.*

Drawback. Also known as duty drawback. The partial or total reimbursement of import duties by a government when the imported goods are re-exported or used in the manufacture of exported goods. Drawback can also refer to the refund of a domestic tax upon exportation of an article, which has been subjected to it. Drawbacks may be, considered *export subsidies.* See also *duty remission.*

Dual Pricing. The selling of identical products in different countries for different prices. When not based on factors such as differences in shipping costs or exchange rates, dual pricing is often presumed to reflect *export subsidies* or *dumping* practices. See also *price discrimination*.

Dual-Use Goods (or Technology). Refers to products or the technology embodied in those products that are intended primarily for use as civilian goods but which may be used or adapted for military purposes.

Dumping. The sale of a product in a foreign market at less *than fair value,* presumably in order to capture or hold market share, or for other economic motives (see *price discrimination, predation,* and *shakeout*). Different forms of dumping can be categorized as:

Sporadic or distress dumping. The disposal abroad of unanticipated inventory accumulations of a given product Such dumping follows no fixed pattern, although it can be expected to be prevalent in the early stages of an economic downturn or business-cycle contraction.

Persistent dumping. An ongoing dumping effort over an extended time period, usually reflecting a desire to compete in a foreign market that is more price elastic than the exporter's home market

Predatory dumping. A willful effort to undersell foreign producers in their home market, for the purpose of eliminating rivals and establishing *market power.*

Dumping is widely considered to be an *unfair trade practice* because it can disrupt markets and injure producers of competitive products in the importing country. When dumping occurs, adversely affected firms in the importing country may seek redress through imposition of an *antidumping duly.* See also *diversionary dumping* and *downstream dumping.*

Dumping Margin. In a *dumping* investigation, the percentage by which the price charged in the importing country's market falls below a product's *fair value.*

Dunkel Draft or Dunkel Text. Efforts to conclude the *Uruguay Round* in 1991 culminated in December of that year with the tabling of a "Draft Final Act" (DFA) by GATT Director-General Arthur Dunkel, embodying all of the rule-making agreements under negotiation in the Round. In some portions of the DFA --commonly referred to as the Dunkel Draft or Dunkel Text --the texts had been fully negotiated among participating countries; in others where this was not possible, Dunkel put forward his own proposed solutions after extensive consultations with delegations.

Dutiable Status. A determination made by an importing country's customs authorities whether a particular article is subject to duty and, if so, at what rate. The dutiable status is determined by "classifying" the merchandise --i.e., determining into which category of the tariff schedules the product falls. See *customs classification.*

Duties Collected. A criterion for evaluating the comparability or *reciprocity* of concessions in a tariff negotiation. Refers to the amount of duties collected for a particular product at a specified duty rate over a given time period.

Duty. A tax imposed on imports or exports. Duties can be "ad valorem" (applied as a percentage of value), "specific" (applied on a quantitative basis, such as dollars per ton), or "compound" (a combination of both). See also *tariff*

Duty Drawback (Scheme). A duty drawback scheme (often administratively demanding) is a form of Border Tax Adjustment whereby the duties or taxes levied on imported goods are refunded, in whole or in part, when the goods are re-exported. The idea is to reduce the burden on exporters while maintaining tariffs for revenue or protective purposes. See also Temporary Admission and *drawback*.

Duty Remission. A system allowing a firm to import goods into a country for processing and, when exported to a third country, to receive a repayment of duties paid at the time of the original importation. Unlike *drawbacks*, duty remissions do not require that the exported products contain elements of the imported product. Duty remissions may be considered *export subsidies.*

Duty Suspension. A temporary, unilateral reduction in tariffs. Duties are sometimes suspended to ease shortages of needed imports, or "to lower the cost of products not available domestically.

Dynamic Asian Economies (DAEs). In recent OECD discussions and publications, this term has been used to refer to Hong Kong, South Korea, Malaysia, Singapore, Taiwan, and Thailand. As such, the term is broader than and may eventually supersede *NIEs.*

East- West Trade. In the parlance of the 1970s and 1980s, trade between the *former East Bloc countries* ("the East") and industrial and developing countries outside the East Bloc ("the West").

Eco-labeling. Government or privately-sponsored labels or markings (also known as eco-seals or green seals) signifying that products or packaging are "environment- friendly," allowing consumers to discriminate among products in terms of their environmental impact Labels signifying "dolphin safe" tuna are an example. See also *eco-packaging.*

Eco-packaging. Refers to national regulations and programs to encourage recycling or reuse of product packaging and containers, together with associated labeling designed to promote use of "environment-friendly" packaging. Discussions in the GA TT *Group on Environmental Measures and International Trade* have addressed application of eco-packaging and labeling requirements in ways that do not discriminate against foreign products.

Economic Nationalism. A policy that places highest priority on increasing the economic strength and *competitiveness* of national firms and reducing *economic, vulnerability,* if necessary at the expense of trading partners' political and economic interests, or at the risk of damage to international trading relationships. See also *beggar- thy-neighbor policies,* and *mercantilism.*

Economic needs test. Measure requiring a demonstration that an import (of goods, but more usually, natural service providers) cannot be satisfied by local producers or service providers.

Economic Profit. The amount by which a producer's income exceeds total operating costs, including the *cost of capital* provided by the firm's owners. A zero economic profit means a firm is earning the normal, economy-wide rate of profit in the accounting sense, with investors receiving a rate of return no greater than the return their capital could earn elsewhere in the economy. Positive economic profits will typically attract new entrants (domestic and/or foreign) to the industry .*Protectionism* may be the response of domestic firms seeking to prevent such entry by foreign competitors, transforming a competitive industry to an *oligopoly.* Persistent negative economic profits can lead to a *shakeout.*

Economic Rent. The gain to a producer or resource owner resulting from a trade barrier or other restriction of supply that leads to a higher price than otherwise would occur. The existence or prospect of economic rents may promote unproductive *rent-seeking* activities by individuals or firms seeking to take advantage of them. See also *quota rent.*

Economic Vulnerability. In the context of trade relations, the proportion of a country's GNP accounted for by exports and imports is sometimes interpreted as a measure of its vulnerability to foreign events and economic conditions. (It is also used as a measure of economic "interdependence" with other states.) Since countries generally try to avoid being subject to the leverage of their suppliers, many make efforts to diversify their supply sources, even at the cost of higher prices. Political relationships with trading partners are an important element in determining vulnerability, since even a high level of trade dependence on a friendly ally is likely to create less vulnerability than trade with unfriendly states.

Economies of Agglomeration. Cost savings that occur when industrial flm1s are located in close proximity to each other and are able to share a common infrastructure network, such as transportation facilities, communications, and energy supplies.

Economies of Scale. (Also known as increasing returns to scale.) Cost savings that occur in production processes where higher output levels allow a firm to employ more productive technology --so that doubling inputs, for example, will result in more than a doubling of output. Economies of scale can be a source of international trade flows apart from *comparative advantage* if product *differentiation* exists and individual countries are unable to produce a full range of differentiated manufactures themselves (see *intra- industry trade).*

Economies of Scope. Cost savings that occur when reductions in average total costs can be achieved by increasing the number of distinct products manufactured by an enterprise. Economies of scope are possible when specialized inputs (e.g., expensive machinery or highly skilled labor) can be shared among different production processes --as, for example, when fighter aircraft and cruise missiles are produced in the same facility.

Economic Summit. Although the term can be used more generally, its most prominent use is in referring to the annual meetings of leaders of the seven leading industrial countries (see *Group of Seven)*..

Economic Union. The highest level of economic integration between sovereign countries, in which members proceed beyond the requirements of a *common market* to unify their fiscal, monetary, and socioeconomic policies. Belgium and Luxembourg, for example, have been joined in an economic union since 1921.

ECU. See *European Currency Unit.*

Effective Rate of Protection. The overall effect of a nation's tariff system on a specific domestic product, after taking into account the impact of trade restrictions on the industry's inputs. The effective rate of protection is the proportionate increase in value- added in an industry that is possible as a result of the whole structure of protection, on both the output and the inputs of the industry.

Embargo. A prohibition upon exports or imports, either with respect to specific products, or to specific countries. An embargo is usually applied for political reasons, although it may also be intended for economic or regulatory (e.g., environmental or sanitary) purposes. The term also applies to an official edict prohibiting entry or departure from the nation's ports of vessels flying the flag of a particular country. In cases where ports are closed only to commercial vessels of the targeted nation, a "civil embargo" exists; when ports are closed to military or public vessels as well, the condition is a "hostile embargo." Both an embargo and a *blockade* are particular forms of a broader category of economic countermeasures known as *sanctions.*

Emergency Action. See *Safeguard Action*.

Enabling Clause. Pan of the 1979 *Framework Agreement* providing a legal basis in GATT for industrial countries to grant tariff preferences to LDCs. The enabling clause amounted to a permanent waiver of the GA TT *most favored-nation* provision for the *Generalized System of Preferences (GSP*). LDCs sought agreement on the enabling clause as a key objective in the *Tokyo Round,* but were obliged to accept inclusion of language in the agreement that also recognized the *graduation* principle.

Entente. In commercial usage in Continental Europe, a synonym for a price-fixing agreement or *cartel.*

Enterprise for the Americas Initiative. A program launched in 1990 as a vehicle for defining a new US economic relationship with Latin America, including eventual free trade within the Western Hemisphere. The three pillars of the EAI are trade, debt, and investment. See *Framework Agreement*.

Enterprise Zones. See *export processing zone.*

Entities. In the context of the GA TT *Government Procurement Code*, refers to government departments or ministries and their subsidiary agencies, as well as state-owned monopolies or other *state trading enterprises.*

Environmental Dumping. Refers to an unfair trade practice whereby an exporter achieves a cost advantage over its rivals in foreign markets through inadequate environmental protection in its home country .A similar concept, referring to inadequate labor regulations, is referred to as *social dumping.* Both have been suggested as topics for future multilateral negotiations following the *Uruguay Round.*

Environmental Trade Measures. Trade measures applied by importing or exporting countries in conjunction with environmental policies. In 1987, parties to the *Montreal Protocol* enacted a series of restrictions to curtail trade in products employing ozone- damaging chemicals. Within GA TT , international discussions on such measures are conducted in the *Group on Environmental Measures and International Trade.* See also *Green Round.*

Escape Clause. A provision in a bilateral or multilateral commercial agreement permitting a signatory temporarily to suspend concessions it has granted when imports threaten harm to its domestic workers or firms producing competing goods or services (see *safeguards).* Also used in reference to procedures in the United States for applying for *import relief.* Also provisions under US law authorizing temporary relief for domestic producers and workers injured by import competition. Originally limited to those whose losses resulted from prior US trade concessions, escape clause eligibility was extended in Section 201 of the *Trade Act of* 1974 to all who could establish that imports were "a substantial cause of serious injury, or the threat thereof' (see *injury, Sec. /*). The *Trade Act of* 1988 stipulated that the goal of any relief must be "positive adjustment." If the US International Trade Commission (USITC) finds injury and recommends relief, the President must grant it or report to Congress why, after reviewing the US national economic interest, he has decided there is no appropriate and feasible action to take. Congress may override this decision through enactment of a joint resolution, imposing the remedy recommended by the USITC. Import restrictions imposed under the escape clause authority usually last no longer than five years.

Euro. The European Monetary Unit. The basic unit of currency among participating European Union countries. Introduced in 1999 as an alternate denomination for noncash transactions, the euro is scheduled to replace the existing national units in these countries by 2002.

European Currency Unit (ECU). A unit of value based on a "currency basket" comprising specific amounts of the currencies of the EC member states. Each currency's share in the basket is weighted in line with the respective country's GNP and foreign trade. The ECU is issued by the European Monetary Cooperation Fund against the gold and US dollar deposits made by the member states' monetary authorities.

Everything But Arms (EBA). A 2001 EU initiative to grant least-developed countries duty- and quota-free access for their exports.

Exceptions. Products specifically exempted from an international agreement to liberalize trade through multi-product duty reductions or other commitments. Exceptions are usually made by importing countries to protect workers and firms engaged in production of *sensitive products.*

Excess Capacity. Occurs when a firm or industry is operating below cost-minimizing levels of output. "Permanent excess capacity" is said to exist in industries requiring very large physical plants for which the size of the domestic market may be inadequate to fully absorb the output --limiting firms in the industry to production levels where *economies of scale* will not be fully exploited. Such conditions may set the stage for international trade conflict, since firms experiencing excess capacity may resort to *unfair trade practices* to expand markets for their output in other countries. At the same time, excess-capacity firms generally have higher unit costs than necessary, making them vulnerable to *predation* by foreign competitors.

Exchange Controls. The rationing of foreign currencies and other instruments for settling international financial obligations by a country facing balance of payments difficulties. Exchange controls require importers to apply for prior government authorization to obtain the foreign currency needed to bring in designated amounts and types of goods. Since such measures can easily be manipulated by governments to restrict imports, they are often viewed as *nontariff barriers* to trade.

Exclusive Dealing. See *vertical restraints.*

Exhaustion. Refers to the doctrine that protection of *intellectual property rights (IPR)* is "exhausted" or confined to the country in which protection is granted. The exhaustion principle specifically implies that IPR holders may not seek to curb *parallel imports* from other countries. In *Uruguay Round* IPR negotiations, some LDCs have demanded international extension of the exhaustion principle in order to ensure access to industrial- country markets for goods they produce under license.

Exonerated Cargo. Otherwise dutiable merchandise permitted duty-free entry into certain countries in furtherance of a particular government policy. The exonerations are, in effect, licenses to import specified quantities of the desired articles -- usually raw materials or unfurnished goods not available locally but deemed essential to local industry. Imports in excess of the quantities authorized in the exoneration may be prohibited or may be permitted only at high rates of duty.

Export Administration Acts of 1969 and 1977. Legislation providing authority for the President to limit or suspend exports of US commodities or technical data to foreign destinations in order to protect national security , to ensure against a drain of scarce goods, or to further foreign policy objectives.

Export Control Act. US Legislation enacted in 1949 requiring that all commercial exports from the United States be licensed. Authority was granted to the President -- subsequently delegated to the Secretary of Commerce --to devise specific regulations to control exports. In the case of certain products such as munitions or narcotics, a "validated license" (i.e., explicit written authorization) was required for exportation to any destination; another cases, it was not the product but the destination (e.g., all shipments to Cuba) that was controlled. Largely incorporated within and superseded by the *Export Administration Act.*

Export Controls. Regulations or restrictions applied to exports by the government of the exporting country to limit foreign access to sensitive technologies, or to protect domestic producers and consumers from temporary shortages of certain materials. See: *COCOM List* and *export restrictions;* see also *Export Administration Acts of* 1969 *and* 1977.

Export Credits. Deferred payment arrangements provided by exporters for goods or services sold internationally. Official export credits are deferred payment arrangements financed or underwritten by an exporter's government, and can have the same effect as an outright export subsidy. Export credits are generally divided into short term (less than two years), medium term (two to five years), and long-term (over five years) credits. They may take the form of "supplier credits" extended by the exporter, or "buyer credits," in which the exporter's bank or other financial institution lends to the buyer. Export credit agencies may give official support to both supplier and buyer credits; such support may be limited to "pure cover" --insurance or guarantees given to exporters or lending institutions --or it may take the form of "financing support," including direct credits, refinancing, and interest subsidies. All major industrialized countries are signatories to the OECD *Export Credits Arrangement.* See *Group on Export Credits and Credit Guarantees.*

Export Credits Arrangement. Formal title is the Arrangement on Guidelines for Officially Supported Export Credits. An international understanding negotiated under the auspices of the OECD, providing the institutional framework for an orderly *export credit* market. Its purpose is to prevent an "export credit race" in which exporting countries compete for sales to third-country markets on the basis of their financing terms rather than on the basis of providing competitively priced goods. The Arrangement deals, with actions and policies of official export credit and insurance agencies, covering only the conditions or terms of insurance or guarantees. It limits trade finance subsidies, setting standards for minimum interest rates, maximum repayment periods, and down payments. The Arrangement took effect in April 1978, and includes all OECD member countries except Turkey. It replaced a less elaborate understanding that had been in effect among a more limited number of countries since 1976. See also *Berne Union.*

Export Duty. A tax imposed on exports. Although export duties are sometimes a convenient source of revenue, in some circumstances they can discourage exports and place producers at a competitive disadvantage in world markets. The United States is constitutionally proscribed from imposing export duties; resource-exporting countries such as Canada, Australia, and many LDCs tend to favor them. See also *export restrictions.*

Export Enhancement Program (EEP). A system of agricultural *export subsidies* maintained by the United States. The EEP, which is linked to stock disposal policies, is partial and discretionary in nature. Payments are not automatically accorded to all exports of a given commodity nor to all commodities, and payment rates may vary widely from sale to sale. Congress restored $1 billion in EEP export subsidies in mid- 1992 as a result of failure to conclude a *Uruguay Round* agreement covering foreign agricultural trade practices.

Exon-Florio Amendment. A measure attached to the *Trade Act of* 1988 to provide a means of monitoring foreign direct investment in the United States. The amendment .authorizes the President to block mergers and joint ventures with foreign interests, or acquisitions or takeovers of US companies by foreign interests, on grounds of national security. See *Committee on Foreign Investment in the United States.*

Export Guarantees. Assurances by an exporter's government that financing provided by a private lender will be repaid with official funds if a buyer defaults.

Export-Led Growth. A macroeconomic strategy focusing on expansion of the export sector --such as through export subsidies or competitive *devaluation* --as a way of boosting economic growth while avoiding the inflationary consequences of higher domestic spending. Especially if coupled with higher import barriers, such an approach can be a form of *beggar-thy-neighbor* policy. Moreover, by targeting export industries for expansion, resources are diverted from industries producing for the home market, with the result that industrial self-sufficiency may be delayed.

Export Management Company. See *export trading company.*

Export Platforms. Refers to countries such as Mexico, Taiwan, Singapore, Malaysia, and South Korea that established incentive programs beginning in the late 1960s to attract foreign direct investment oriented toward *offshore production* operations by corporations based in the United States and other industrialized countries. Incentives included import reductions on components, tax-free treatment of exports, and tax holidays. See *globalization.*

Export Performance Requirements. See *performance requirements.*

Export Processing Zone. A special form *of free trade zone* in which certain exemptions from duties and regulations are granted as an inducement to export-oriented manufacturing. Usually a manufacturer within the zone may import equipment and raw materials free of duty for goods that are ultimately exported as finished products. Other inducements may include abatement of taxes on profits derived from export sales or relaxation of minimum wage regulations. Also known as "special economic zones," "enterprise zones," and "industrial free zones."

Export promotion. A strategy for economic development that emphasizes support for exports through removal of anti-export biases created by policy. May be associated with policies such as duty drawbacks, export subsidies, marketing support or matching grants for exporters.

Export Quota. A specific restriction or ceiling imposed by an exporting country on the value or volume of certain exports. Some *international commodity agreements* explicitly indicate when producers should apply such restrictions. Export quotas are also often applied in *orderly marketing agreements* and *voluntary restraint agreements.*

Export Quota Agreement. An arrangement arising under an international *commodity agreement* whereby each participating exporting country is allocated a portion of the global market for the commodity. The purpose of the arrangement is to maintain price stability and ensure producer incomes.

Export Restraints. Also referred to as bilateral restraint agreements. Quantitative restrictions applied by exporting countries to curtail shipments of *sensitive products* to a specified foreign market for a fixed time period, usually pursuant to a formal or informal agreement with the importing country (see *voluntary restraint agreements* and *orderly marketing agreements.)* Their economic effects --unlike those of "traditional" trade restrictions such as tariffs or import quotas --include significant benefits to established foreign producers. VRAs and OMAs have no explicit sanction under GA TI' (see *grey area measures).*

Export Restrictions. While usage varies, this term is often used to denote quantitative limits or charges on exports purely for domestic purposes, such as protecting producers and consumers from temporary shortages of certain materials, promoting processing of raw materials within the producing country, or bolstering export prices by limiting supplies in world markets. They are thus distinguished from *export restraints*, which are designed primarily to forestall frictions with the exporting country's major trading partners. US efforts in the *Tokyo Round* to have GATT rules and disciplines extended to export restrictions were largely unsuccessful. See also *export controls* and *supply access.*

Export Subsidy. Any form of government payment or other benefit provided to domestic producers of goods destined for sale in foreign markets. Examples include preferential government financing, income tax holidays, and rebates of *direct taxes* on exported products. Reflecting the belief among the founders of GA TT that export subsidies can distort normal trading patterns, GATI' Article 16 proscribes export subsidies on non-primary products that result in lower prices in foreign markets than prices charged for the "like product" in the domestic market. The *Tokyo Round* yielded an agreement that extended Article 16 by banning all export subsidies by industrial countries on manufactured and semi-manufactured goods (see

Subsidies Code). See also *domestic subsidy* and *countervailing duty.*

Export Trading Company. (Also known as an export management company.) A private firm that provides related-related services to other firms, usually smaller and mid- sized manufacturers that could not afford to maintain a separate export department on their own. Services provided by an export trading company can include locating foreign customers, arranging shipping and financing for exported goods, and performing foreign marketing functions. Compensation may be made on a commission basis, or through direct purchase and resale of the exported merchandise.

Export Trading Company Act of 1982. Legislation designed to promote US exports by encouraging the foundation of export trading companies, and by modifying the application of antitrust laws and reducing restrictions on export financing for certain transactions. Title III of the Act permits the Department of Commerce, with the concurrence of the Department of Justice, to issue antitrust pre-clearance certificates on certain transactions involving the export of goods or services. Title IV of the Act amended two key elements of US antitrust law --the Sherman Act and the Federal Trade Commission Act --to exclude their application to export transactions, except where such activities have an anticompetitive impact on trade in the United States or the export trade of a US resident.

Externalities. Spillover benefits or costs arising from an economic activity that are not taken into account by producers, resulting in levels of production that are inappropriate from the standpoint of the economy as a whole. The presence of "positive externalities" or external benefits means that insufficient resources will be devoted to producing the product in question unless incentives (e.g., subsidies) are given to producers. For example, one of the important positive externalities affecting trade in high-technology products involves private research and development (R&D) activities, since firms may be unable to completely appropriate for themselves the payoffs from their R&D investments. In contrast, negative externalities (sometimes called "diseconomies") imply overproduction unless the activity is appropriately taxed or otherwise constrained by governmental authorities. Unchecked pollution by manufacturers is a commonly cited example of negative externalities.

f.a.s. An abbreviation (for "free alongside") used in international trade statistics and t sales contracts; a method of valuing traded goods that does not include the cost of shipment from the exporting to the importing country.

f.o.b. An abbreviation (for "free on board") used in international trade statistics and sales contracts; a method of valuing traded goods that includes the cost of transportation to the port of embarkation and the cost of loading the goods on a vessel, but does not include further shipment or insurance costs. Export data are usually reported in f.o.b. terms.

Fair Trade. International trade involving shipments that do not benefit from government assistance. Fair trade --and the related concept of *unfair trade practices* --is almost always used in the context of policies or practices affecting exports, while *free trade* usually refers to the absence of barriers to imports. See also *level .playing field.*

Fair Value. The benchmark against which selling prices of imported merchandise are compared in a *dumping* investigation. In US practice, fair value is generally expressed as the weighted average of the exporter's home market prices or prices to third countries during the period of investigation. In some cases it is the "constructed value" --a derived figure used if there are few home-market or third-country sales of the product in question, or if the number of such sales made at prices above the cost of production is so few that they provide an inadequate basis for comparison. See also *dumping margin.*

Fast-Track. Legislative procedures, originally set forth in Section 151 of the *Trade Act of* 1974 and extended in the *Trade Act of* 1988, designed to assure foreign governments that Congress will act expeditiously on a trade agreement negotiated with the United States, and will not "re-negotiate" the agreement by accepting pans of the deal while rejecting others. These procedures stipulate that once the President formally submits a bill to implement an international agreement concerning nontariff trade barriers2 negotiated under the Act's authority , both Houses must vote on the bill within 90 days through an up-or-down vote, without possibility of amendments. Fast-track negotiating authority currently extends through 16 April 1994. Also know as Trade Promotion Authority (TPA).

Financing Support. See *export credits.*

Floor prices. See *buffer stocks.*

FDI. Foreign Direct Investment. See definition under Foreign Direct Investment.

FOGS. See *Functioning of the GATT System.*

Foreign Corrupt Practices Act. Legislation that prohibits US firms from making payments to foreign officials in order to influence their actions or to assist the firm in obtaining business.

Foreign Direct Investment. The acquisition of productive resources such as factories, mines, or transport facilities in a foreign country. For an investment to be considered "direct," it must be large enough to give the investor control or significant influence over the foreign operation. (Under US Commerce Department regulations, the threshold for such a determination is acquisition of 10 percent or more of the voting stock or capital in a foreign venture.) Investments falling below the threshold of active participation in management of the foreign entity are regarded as "portfolio" investments.

Forfeiting. A means of financing foreign trade based upon the transfer of debt obligations arising from the sale of goods and services, usually exports.

Former Centrally Planned Economies. See *countries in transition.*

Former East Bloc Countries. Countries that comprised the now-defunct East Bloc (i.e., those "dominated by international communism," in the language of the US Trade Act of 1974), many but not all of which have now abandoned central planning and moved to establish market economies. Includes the East European countries *(CEECs),* the former Soviet republics *(NIS),* China, Mongolia, North Korea, Vietnam, Laos, Cambodia, and Cuba. In the parlance of the 1960s, these countries comprised the "Second World," between the industrialized "First World" countries and the underdeveloped "Third World." Usage in the 1990s is still evolving; see *countries in transition.*

Formula Approach. A tariff negotiating procedure in which a general formula for calculating tariff reductions on all products is agreed by the participants, with limited exceptions allowed for sensitive items. The most straightforward formula approach is a *linear reduction,* although more complicated formulas have been used. Negotiations based on a formula approach tend to achieve tariff cuts across a broader range of products than item-by-item negotiations, but are vulnerable to becoming bogged down by demands for exceptions. See also *harmonization.*

Forum Shopping. Refers to the ability of countries to take advantage of differing procedures for *dispute settlement* under GATT and various *GATT Codes* by pursuing a trade complaint in a venue in which it believes it can exploit procedural or tactical advantages.

Four Dragons or Four Tigers. See *newly-industrializing economies (NIEs).*

Framework Agreement (I). A package of agreements negotiated during the *Tokyo Round*, dealing with (a) differential and more favorable treatment for LDCs; (b) trade restrictions applied for balance-of-payments purposes; (c) safeguard actions for "infant industry" development purposes; and (d) the process of *dispute settlement* in GAIT. The agreement took its name from the paragraph in the *Tokyo Declaration* calling for "improvements in the international framework for the conduct of world trade." The four texts making up the Framework Agreement were adopted by the GATT Contracting Parties in November 1979. See also *enabling clause* and *graduation.*

Framework Agreement (2). Also known as a Trade and Investment Framework Agreement, or TIF A. A bilateral agreement establishing a mechanism for consultations on trade and investment policy in conjunction with the *Enterprise for the Americas Initiative (EA/).* The EAI framework agreements set up intergovernmental councils to discuss and negotiate the removal of trade and investment barriers; the councils also serve as fora to prepare for subsequent stages of trade liberalization, including the possible negotiation *of free trade agreements (FTAs).* Since the EAI was launched, the United States has concluded framework agreements with Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Chile, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, Peru, and Venezuela, as well as with *MERCOSUR* and *CARICOM (Sec. III).* The United States has signed similar framework agreements with Australia and New Zealand.

Framework Initiative. (Also known as the New Economic Partnership). An initiative launched by the United States in May 1993 to address bilateral trade problems with Japan.

Free Alongside. See *f.a.s.*

Free List. A list of goods that have been designated as free from tariffs or licensing requirements by an importing country.

Free on board (f.o.b.). The price of a traded good including its value and the costs associated with loading it on a ship or aircraft, but excluding international transportation (freight) costs, insurance and payments for other services involved in moving the good to the point of final consumption. See also *f.o.b.*

Free-Riders. In the context of the *Uruguay Round* discussions of a proposed *Multilateral Trade Organization,* refers to provisions to ensure that participating countries will not have the option of "free-riding" --i.e., of signing only some of the Uruguay Round agreements while avoiding the obligations of others --but instead would require countries to accept or reject the results of the Round as a "single undertaking." See *non-application.*

Free Trade vs. Fair Trade. See entries under respective headings.

Free Trade. International trade that is unhampered by restrictive measures such as tariffs or non-tariff barriers. An ideal concept that plays a role in economic theory similar to that of the "perfect vacuum" in physics, since, except within *economic unions, virtually no international trade is genuinely free of governmental interference. In practical terms, trade policy deliberations in all countries do not normally concern* questions of whether free trade should be pursued, but rather of how much and what kind of government intervention is needed to serve the national interest. See *also fair trade.*

Free Trade Agreement. An agreement between two or more countries establishing a *free trade area (FTA).*

Free Trade Area (FTA). A group of two or more countries that agree to remove barriers affecting substantially all trade with each other, while each maintains its own schedule of tariffs and other regulations on imports from non-member countries. Because some goods --such as farm products --may not be traded in significant quantities between partners in an FTA, coverage of "substantially all " of their trade does not necessarily mean trade barriers are eliminated in all sectors. Indeed, agriculture is exempted from coverage in many FTAs.

Free Trade Zone. (Not to be confused with *a free trade area* or *FTA.)* A designated area within a country in which goods can be imported, stored, or processed without being subject to customs duties and taxes. Also known as a "foreign trade zone," a "free port," or a "bonded warehouse." See also *transit lone* and *export processing lone."*

Functioning of the GATT System *(FOGS).* Designation for a negotiating group in the *Uruguay Round* that dealt with measures to strengthen the GATT process, particularly by improving surveillance of members' trade policies; encouraging greater involvement of trade ministers in the GATT; and strengthening GATT's relationship with other international organizations such as the IMF. See *Trade Policy Review Mechanism.*

Further Processing Method. See *superdeductive*.

Futures Contract. A contract for goods, foreign exchange, or financial assets to be delivered at a certain future date on terms and at prices set in the contract. A large number of raw materials as well as some processed goods are commonly traded internationally in futures contracts.

G-20. International forum of finance ministers and central bank governors representing 19 countries plus the EU. Created in 1999 by the G-7 with the aim to promote discussion, study and review of policy issues among industrialized and emerging market countries to promote international financial stability. The Managing Director of the IMF, the President of the World Bank, and the Chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank participate in G-20 deliberations.

G-24. Established in 1971, an inter-governmental group of 24 developing countries that has the objective to concert the position of the developing countries on monetary and development finance issues. The only formal developing country grouping within the IMF and World Bank. Meets twice a year, preceding the Spring and Fall meetings of the two institutions.

G-7. A group of seven major industrialized countries whose heads of state have met annually since 1976 in summit meetings to discuss economic and political issues. The seven are United States, Canada, Japan, Britain, France, Germany, and Italy.

G-77. A coalition of developing countries within the United Nations, established in 1964 at the end of the first session of UNCTAD, intended to articulate and promote the collective economic interests of its members and enhance their negotiating capacity. Originally with 77 members, it now (in 2002) has 133.

G-8. The G7 plus Russia, which have met as a full economic and political summit since 1998.

Gate Price. See *Common Agricultural Policy.*

GATS. General Agreement on Trade in Services. Major Articles :

I Definition. Trade in services covers all four modes of supply.
II MFN obligation. Option to invoke exemptions on a one-time basis.
III Notification and publication. Obligation to create an enquiry point.
IV Increasing participation of developing countries. High income countries to take measures to facilitate trade of developing nations.
V Economic integration. Allows for free trade and similar agreements.
VI Allows for domestic regulation. Requirements concerning the design and implementation of service sector regulation, including in particular qualification requirements.
VII Recognition of qualifications, standards and certification of suppliers.
VIII Monopolies and exclusive suppliers. Requires that such entities abide by MFN and specific commitments (Articles XVI and XVII) and do not abuse their dominant position.
IX Business practices. Recognition that business practices may restrict trade. Call for consultations between members on request.
XIV General exceptions. Allows measures to achieve non-economic objectives.
XVI Market access. Defines a set of policies that may only be used to restrict market access for a scheduled sector if they are listed in a member's specific commitments.
XVII National treatment. Applies in a sector if a commitment to that effect is made and no limitations or exceptions are listed in a member's schedule.
XIX Calls for successive negotiations to expand coverage of specific commitments (Articles XVI and XVII).

GATT Codes. Agreements negotiated under GATT auspices to remove or lessen the trade-distorting effects of *nontariff measures* by prescribing signatories' rights and obligations concerning use of such measures as well as countermeasures that may be applied in response. Only the signatories of a GATT Code are bound by its terms. During the *Tokyo Round,* codes were negotiated governing subsidies and countervailing duties; standards and technical barriers to trade; import licensing procedures; customs valuation; and government purchasing policies. In addition, the existing GA TT antidumping code was revised. Major articles of the GATT include:

I General MFN requirement.
II Tariff schedules (bindings).
III National treatment.
IV Special Provisions related to Cinematographic films
V Freedom of transit of goods.
VI Allows antidumping and countervailing duties. Superseded by the GATT 1994 Agreement on Antidumping, and the Agreement on Subsidies and Countervailing Measures.
VII Requires that valuation of goods for customs purposes be based on actual value. Superseded by the GATT 1994 Agreement on the Implementation of Article VII.
VIII Requires that fees connected with import and export formalities be cost-based.
IX Reaffirms MFN for labeling requirements and calls for cooperation to prevent abuse of trade names.
Obligation to publish trade laws and regulations; complemented by the WTO's Trade Policy Review Mechanism and numerous notification requirements in specific WTO agreements.
XI Requires the general elimination of quantitative restrictions.
XII Permits trade restrictions if necessary to safeguard the balance of payments.
XIII Requires that quotas be administered in a nondiscriminatory manner.

XVI Established GATT 1947 rules on subsidies. Complemented by the WTO Agreement on Subsidies and Countervailing Measures.
XVII Requires that state trading enterprises follow MFN.
XVIII Allows developing countries to restrict trade to promote infant industries and to protect the balance-of-payments (imposing weaker conditionality than Article XII).
XIX Allows for emergency action to restrict imports of particular products if these cause serious injury to the domestic industry. Complemented by the WTO Agreement on Safeguards.
XX General exceptions provision—allows trade restrictions if necessary to attain non-economic objectives (health, safety).
XXI Allows trade to be restricted if necessary for national security reasons.
XXII Requires consultations between parties involved in trade disputes.
XXIII GATT's main dispute settlement provision, providing for violation and non-violation complaints. Complemented by the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes.
XXIV Sets out the conditions under which the formation of free trade areas or customs unions is permitted.
XXVIII Allows for renegotiation of tariff concessions.
XXVIIIbis Calls for periodic rounds of negotiations to reduce tariffs.
XXXIII Allows for accession

GATT Panel. See *Panel of Experts.*

GATT Round. A cycle of multilateral trade negotiations conducted under the auspices of the GATT. Each Round has constituted a series of interrelated bargaining sessions among the participating countries to achieve mutually beneficial agreements reducing, tariffs and other trade barriers. The agreements reached at the conclusion of each Round become new GATT commitments and thus amount to an important step in the progressive liberalization of the world trading system. Eight Rounds have been initiated under *GATT* auspices since 1947:

Geneva Round (1) 1947 ("First Round")
Annecy Round 1949 ("Second Round")
Torquay Round 1950-51 ("Third Round")
Geneva Round (2) 1956 ("Fourth Round")
Dillon Round 1959-62
Kennedy Round 1963-67
Tokyo Round 1973- 79
Uruguay Round 1986-present

Since 1956, all *GATT* Rounds have taken place at GATT headquarters in Geneva, although the more recent Rounds have been named after the city or country in which the ministerial declaration launching the negotiations was signed.

GATT Standing Committee. A permanent body of GATT members dealing with a specific area of trade policy. Includes the Committee on Trade in Industrial Products and the Agriculture Committee (both currently subsumed by the Uruguay Round negotiations under *Track* 1); the *Committee on Tariff Concessions;* the *Committee on Balance of Payments Restrictions;* the *Committee on Trade and Development;* the *Textile Surveillance Board;* and various the *GATT Code* Committees.

General Tariff. A tariff that applies to countries that do not enjoy either preferential or *most-favored-nation* tariff treatment.

Where the general tariff rate differs from the r..1FN rate, the general tariff is usually the higher rate. See *Column 1 rate* and *Column* 2 *rate.*

Generalized System of Preferences (GSP). A system of tariff preferences applied by industrial countries to selected manufactured and semi-manufactured goods from developing countries, in order to facilitate LDC exports and economic development. GSP was originally propounded by *UNCTAD,* and was sanctioned by GATT in 1971 despite contravening the *most-favored-nation principle* of equal treatment for all GATT members. The United States began according GSP treatment to most LDCs in 1976 --the last of the major industrial countries to do so. GSP was given permanent standing in *GAT*T by the 1979 *Framework Agreement.* GSP tariff treatment is not subject to either *binding* or *reciprocity,* and thus represents an autonomous, unilateral grant by the preference-giving country .In accordance with the *graduation* principle, GSP treatment is also intended to be temporary, with individual LDCs expected to relinquish benefits as they develop.

Genetically Modified Organism (GMO). Through genetic engineering , DNA from different species can be combined to create completely new organisms called Genetically Modified Organisms, or GMOs. GMOs help to control pests and disease, to tolerate environmental stress, and to enhance food qualities, such as flavor, texture, shelf-life, and nutritional content. See also biotechnology.

Geneva Rounds. The first and fourth *GATT Round* of multilateral trade negotiations, held in Geneva, Switzerland. The "First Round" involved the actual drafting of the GATT itself as well as tariff negotiations among the original contracting parties; the Preparatory Committee met in October and November of 1946, drafting of the General Agreement took place between 20 January and 28 February, 1947, and tariff negotiations lasted from April to October, 1947.3 The "Fourth Round" took place from January to May, 1956.

Geographic Indications. See *appellations of origin.*

Globalization. The process of dispersing elements of a firm is production and marketing across several countries. Historically, trade in globalized industries followed a hub-and- spokes pattern, with components and end-products moving between the home country and "offshore" manufacturing subsidiaries or affiliates. More recently, components and end-products have begun to be shipped among specialized production facilities in several countries, in order to take advantage of *economies of scale,* to circumvent trade barriers, or to match distinct activities with local competitive advantages. Globalization poses substantial scheduling, technical, and process coordination problems, as well as risks of supply being disrupted by national trade policies. It can result in a trade pattern in which many countries can have both imports and exports in the same product category (see *intra-industry trade),* depending on how they fit into the overall production network. In such an environment, attributing national origin to a product can be difficult, complicating international trade negotiations conducted on a traditional, country-to- country basis.

Global Quotas. Explicit limits set by a country on the overall value or quantity of goods, which may be imported from or exported to all countries during a given period.

Government Procurement. Government policies and procedures for purchasing goods and services. Procurement policies can be construed as *nontariff barriers* if they discriminate in favor of domestic suppliers when imported goods are price-competitive and are of comparable quality.

Government Procurement Code. A *GATT Code* negotiated during the *Tokyo Round,* prohibiting signatories from discriminating against or among the products of other signatories in certain types of government procurement covered by the Code --i.e., purchases valued at more than 150,000 *special drawing rights, or SDRs* by specified government *entities* listed in the Agreement. Exceptions include contracts for most services, construction, procurement related to national security, and purchases by political subdivisions. The Code seeks to increase *transparency* in signatories' regulations and practices regarding government procurement, and to ensure that they do not discriminate against foreign suppliers or products. It contains detailed rules on the way in which tenders should be invited and awarded. Signatories include Austria, Canada, the European Community, Finland, Hong Kong, Israel, Japan, Norway, Singapore, Sweden, Switzerland, the United Kingdom, and the United States.

Graduation. The principle that an individual *developing country* --as it advances economically and becomes more developed, such as through industrialization, increased production and export earnings, and rising living standards --should assume greater responsibilities and obligations within GATT. As enunciated by the GATT *enabling clause*, graduation specifically implies that donor countries will remove or "graduate" the more advanced developing countries from eligibility for preferential treatment under the *Generalized System of Preferences (GSP).* The United States has graduated Hong Kong, Taiwan, Singapore, and South Korea from the US asp program accordingly.

Grandfather Clause. A provision in the GATT and other trade agreements permitting signatories to retain domestic legislation that was in effect before the agreement was signed, even though it may be inconsistent with certain provisions of the agreement. Only charter members of GATT may take advantage of its grandfather clause; they are, however, expected to bring their legislation into conformity with GATT provisions as soon as possible.

Gray-Area Measure. Measure whose conformity with contractual obligations is unclear: for example, voluntary export restraints under pre-WTO rules of the GATT.

Green Box. A term used in the context of GA TT negotiations on agriculture and on *export subsidies* to refer to a category of official support measures that are deemed to be permissible, and hence are not subject to *countervailing duties* by an importing country. Measures often proposed for inclusion in a Green Box include development subsidies and privatization subsidies.

Green Room Consultations. Informal meetings of heads of delegations to the GATT *Uruguay Round* negotiations. Such meetings, usually convened to resolve procedural problems, take their name from a conference room adjacent to the Director-General's office at GATT Headquarters in Geneva.

Green Round. A term referring to a proposed new *GATT Round* of multilateral negotiations that would address *environmental trade measures.*

Grey Area Measures. *Import relief* measures taken outside the scope of GATT rules by countries seeking to protect domestic industries from injury arising from factors other than foreign *unfair trade practices.* The main forms are *voluntary restraint agreements (VRAs)* and *orderly marketing arrangements (OMAs).* Negotiations on *safeguards* in the Uruguay Round have aimed at bringing grey area measures within the scope of GATT rules and disciplines.

Group on Negotiations of Goods (GNG) and Group on Negotiations of Services (GNS). See *negotiating group.* The establishment of separate GNG and GNS groups was agreed at the outset of the *Uruguay Round* to maintain the formal appearance -- insisted upon by developing countries --that negotiations in the areas of goods and services were not linked.

Guide Price. See *Common Agricultural Policy.*

Harmonization. Cutting tariffs in a way that results in greater uniformity in rates applied to most items within each country's tariff schedule. Most harmonization negotiations have employed *a formula approach* for achieving relatively large cuts in high "tariff peaks" and smaller cuts in lower tariffs. This approach contrasts with *linear reduction* formulas, which call for equal percentage cuts in all tariffs.

Harmonized System (HS). A system of tariff nomenclature for *customs classification* negotiated within the *Customs Cooperation Council.* Participating countries classify goods for customs purposes on the HS basis up to a level of product specificity denoted by six-digit codes. Countries are free to introduce national distinctions --for tariff or statistical purposes --for more detailed product breakdowns beyond the six-digit level. The United States adopted the Harmonized System in the *Trade Act of* 1988. The Harmonized System superseded the Brussels Tariff Nomenclature (BTN) classification system.

Havana Charter. A multinational agreement concluded at Havana in 1948, which called for establishment of an International Trade Organization (ITO) to govern world trade. The ITO never came into force, primarily because of opposition in the US Congress, leaving the "provisional" GATT as the sole institution providing a foundation for the multilateral trading system. See entry under *International Trade Organization*.

Heckscher-Ohlin Model. A theory for explaining international trade patterns in tern1S of differences in countries' supplies of productive factors (e.g., human and physical capital, raw material resources). The model was named for Swedish economists Eli Heckscher and Benil Ohlin. See also *Ricardian Model.*

High-Technology Trade. Products that embody relatively intensive research and development , (R&D) inputs, either directly at the final manufacturing stage or through the intern1ediate ..components used in their production. Numerous classification schemes have been proposed in academic studies and international discussions to designate high-technology industries, but all have shortcomings. (For example, technologically "mature" products such as industrial chemicals and consumer electronics make up a significant proportion of high technology as delineated by some R&D-based definitions; see discussion under *product cycle.)* As a rule of thumb, high-technology industries can be designated as those producing microelectronics, computers, telecommunications equipment, machine tools and robotics, aerospace equipment, scientific and precision instruments, medicine and biological compounds, and specialty chemicals including certain advanced materials.

HIPC. Highly Indebted Poor Countries Initiative. An agreement among official creditors to help the most heavily indebted countries to obtain debt relief.

Hollowing-out. See *deindustrialization.*

Horizontal Integration. The merger of two or more firn1s producing essentially the same product or service. See also *vertical integration.*

Horizontal Reduction. Negotiated cuts in tariff rates by the same percentage for all parties to an agreement. Also known as equal-percentage of *linear reduction.*

Impairment. Damage to, or weakening of, benefits accruing under contractual rights and obligations. (GATT Art. XXIII). See *nullification or impairment. Import Deposits. See prior deposits.*

Imperfect Competition. When an industry is marked by imperfect competition, market prices send "incorrect signals" regarding resource availability and purchasers' needs. See *market imperfections.*

Import Licensing. Procedures requiring the submission of an application or other documentation (other than those normally required for customs purposes) to an administrative body for approval as a prior condition for importation into the customs territory of a country. See also *prior deposits*.

Import Licensing Code. Formally known as the Agreement on Import Licensing Procedures. A *GAIT Code* negotiated during the *Tokyo Round* to simplify and harmonize *import licensing* procedures of signatory governments, and to ensure that they do not in themselves restrict imports. Signatories are required to submit details of their licensing procedures and laws for examination by the Committee on Import Licensing. Signatories include Argentina, Australia, Austria, Canada, Chile, Czech Republic, Egypt, the European Community, Finland, Hong Kong, Hungary, India, Japan, Mexico, New Zealand, Nigeria, Norway, Pakistan, Philippines, Poland, Romania, Singapore, Slovakia, South Africa, Sweden, Switzerland, the United Kingdom, and the United States.

Import Quota. A means of restricting or controlling imports by specifying the quantity or value of a commodity, which may be imported during a specified period. Such restrictions may take the form of "global" or "basket quotas" --limiting total imports from all sources, without differentiating among originating countries --or of country-specific, "allocated quotas" in which producing countries may be assigned a portion of the total quantity permitted to be imported. Some global quotas contain sub-quotas designating individual limits for various supplier countries. Import quotas result in protection that tends to be more predictable than with a *tariff,* and can thus be "fine- tuned" by governments. As with a tariff, domestic producers protected by a quota are able to charge higher prices, and there are some efficiency losses --but these are not offset by the additional government revenue that a tariff provides, so that a greater *deadweight loss* results. See also *quantitative restrictions* and *tariff quota.*

Import Quota Auctioning. The process of allocating the right to import a product subject to quantitative restrictions by auctioning the quota among potential importers. Through the auction proceeds, the importing government can extract some of the revenue it might otherwise obtain by levying a tariff on the goods in question.

Import Relief. Governmental action to temporarily restrict imports in order to prevent or remedy *injury* to domestic workers or firms producing goods competitive with those being restricted. See *safeguards.*

Import Restrictions. Measures to limit or control the volume of imports by means of *tariffs* or *nontariff barriers* --including *import quotas*, *exchange controls*, *import licensing*, requirements for *prior deposits*, levies of *import surcharges*, or prohibitions of various categories of imports.

Import Sensitivity. The vulnerability of a domestic industry to *injury* from foreign competition. See also *sensitive product*.

Import Substitution. A policy of promoting domestic production of goods that otherwise would be imported. Such programs may involve a combination of *domestic subsidies* and *import restrictions,* and are often justified on grounds of conserving foreign exchange. See also *infant industry protection.*

Import Surcharge. A temporary tax on imports over and above established tariffs, usually enacted in times of economic crisis. The United States, for example, imposed a 10 percent import surcharge when the dollar-gold linkage was severed in 1971. The Tokyo Round *Framework Agreement* legitimized use of surcharges for balance-of- payments purposes, provided they do not provide special protection for particular products and do not discriminate among individual exporting countries.

Import Surge. A substantial and usually unforeseen increase in imports above recent trends for a particular product or class of goods, presenting serious *adjustment costs* for domestic workers and firms producing such goods. When an import surge is due to economic or commercial factors other than *unfair trade practices*, governments may resort to *safeguards* to provide temporary *import relief* to the domestic industry.

Increasing-Returns Industry. An industry requiring an exceptionally large or expensive physical plant, so that *economies of scale* (also known as increasing returns to scale) still exist at output levels saturating the firm's domestic market. Examples often cited are steel, aircraft, and many defense industries. Such industries --which may also be referred to as pern1anent excess-capacity industries, or natural monopolies --pose particular problems for international trade policy (see discussion under *excess capacity).*

Indirect Tax. A tax levied on expenditures --such as a sales tax, excise tax, or value- added tax --rather than a *direct tax* on individual or corporate earnings. GA TT rules permit countries to rebate indirect taxes on goods destined for export, but not direct taxes.

Industrial Countries or Industrialized Countries. (Also known as developed countries) A term used to distinguish the more industrialized nations from *developing countries (LDCs)* as well as the *newly-industrializing economies (NIEs)* and *countries in transition.* The International Monetary Fund categorizes as industrial countries the United States, Canada, Japan, Australia, New Zealand, and the member states of the EC and EFT A --i.e., all OECD member states except Turkey. South Africa in the past has been categorized as an industrial country, but its status is unclear at present. The industrial countries are sometimes collectively designated as the "North" because most of them are in the Northern Hemisphere.

Industrial Policy. A program of selective government interventions designed to change the sectoral composition of a country's economy by influencing the development of particular industries or sectors. Targeted sectors or industries may be aided through some combination of government loans and equity participation; tax incentives to promote investment; trade protection and export subsidies; preferential government procurement practices; or relief from regulatory constraints such as antitrust and environmental laws. Advocates claim that industrial policy can "shape comparative advantage" --recognizing that, even if all countries may gain through international trade, a country will gain most if it specializes in high-value-added, high-growth sectors. Critics claim that governments cannot do a better job than market forces in "picking winners," and that misguided attempts to do so --as occurred in the foI1I1er East Bloc countries --could make matters worse.

Industrial Property. Encompasses most forms of intellectual property with the exception of copyrights --e.g., *patents, trademarks,* and *trade secret.* See *intellectual property rights.*

Industrial Targeting. Selection by a government of industries deemed important to the evolution of the economy, and encouraging their development through explicit policy measures. The teI1I1 usually connotes a more narrow spectrum of *industrial policy* measures focused specifically on increasing *competitiveness* in export markets.

Infant Industry Protection. Temporary import protection intended to help an industry that is not fully developed become established and competitive in world markets. The economic justification for infant industry protection is the prospect of decreasing costs as output expands and experience in production is acquired, which puts start-up firms at a competitive disadvantage vis-à-vis established world producers in the industry. Article 18 of the GATT permits LDCs to protect infant industries, but the restricting country may be required to compensate other GATT members that are adversely affected. See also *import substitution.*

Information Technology Agreement (ITA). The Ministerial Declaration on Trade in Information Technology Products (ITA) was concluded by 29 participants at the Singapore Ministerial Conference in December 1996. The ITA provided for participants to completely eliminate duties on IT products covered by the Agreement by 1 January 2000. Developing country participants have been granted extended periods for some products.

Initial Negotiating Right (INR). A right held by a GA TT member to be compensated by another member if a given bound tariff rate is raised by the latter. INRs stem from past negotiating concessions and allow the holder to seek compensation for an impairment of tariff concessions whether or not the country holds status as a *principal supplier* of the product in question.

Injury. In the GATT context, refers to economic damage sustained by workers or firms in an industry as a consequence of foreign competition or *unfair trade practices.* Under GATT rules and various *GATT Codes* as well as under US law, mechanisms are established for determining whether injury has occurred or is threatened, as a prerequisite for taking countermeasures (see *injury test).* Different gradations of injury are referred to in US law and international discussions; the two most prominent are:

> Material injury --*Antidumping* and *countervailing duty* cases are based on findings of "material" injury (including the threat of material injury, and the "material retardation" of a new, emerging industry). Rather than define material injury, the GATT *Subsidies Code* lists factors that may be taken into account in determining its existence, including an actual or potential decline in output, sales, market share, profits, prices, or employment, and in the case of agricultural subsidies, whether there has been an increased burden on government support programs. Material injury is defined by the US *Trade Act of* 1979 as "harm which is not inconsequential, immaterial or unimportant."

> Serious injury --*Safeguard* or *escape clause* actions require a finding of "serious" injury to a domestic industry. Jurisprudence is ambiguous on the meaning of this term, but GATT legal experts assert that it is meant to be a higher standard than material injury --reasoning that the escape clause is designed to respond to situations which do not involve allegations of unfair action by foreign exporters, so that its standard for establishing injury should be the most rigorous. Under US trade law (see *escape clause),* factors mentioned in determinations of serious injury include the significant idling of productive facilities of an industry; the inability of a significant number of firms in the industry to operate at a reasonable level of profit; and significant unemployment or underemployment within the industry.

Injury Test. An administrative determination establishing that *injury* to a domestic industry has occurred as a result of an import surge or foreign *unfair trade practices. Such a test is a prerequisite for imposition of safeguards, countervailing duties,* or *antidumping duties.* By requiring an industry seeking trade relief to establish that it has been injured by foreign competition --a significant burden-of-proof threshold --the injury test is intended to prevent abuse of unfair-trade laws for protectionist purposes.

Innovation. Putting into operation new techniques and other economically useful knowledge in a way that leads to commercial success. Innovation is not necessarily linked to the process of invention or discovery --it can, for example, involve putting into operation techniques invented or discovered elsewhere. Along with capital accumulation, the rate of innovation in an economy is crucial for expansion of its productive capacity and, hence, for its economic growth, improved standards of living, and international *competitiveness.*

Innovation Systems. The network of public- and private-sector institutions that initiate or import, modify, and diffuse new technology in a country .In current OECD discussions, the term encompasses ways in which a country organizes its systems of education, scientific research, and technological diffusion, and --in conjunction with macroeconomic and *competition policies* --their combined impact on the rate of *innovation.* Associated with the term is the concept that "technological trajectories" shaped by countries' differing innovation systems may set the stage for future trade conflict or collaboration.

Integrated Framework for Trade-related Technical Assistance (IF). Joint activity and donor-financed trust fund managed by six agencies (IMF, ITC, UNCTAD, UNDP, World Bank and WTO) to work with LDCs to undertake diagnostic studies aimed at assisting countries to identify key constraints to better integration into the world economy and to provide follow-up trade-related technical and financial assistance.

Intellectual Property Rights (IPRs). The right to possess and use intellectual property, conferred by means of patents, trademarks, and copyrights. Even though IPR laws are enacted and enforced on a strictly national basis, once a patent or copyright has been granted in one country and disclosure of an invention or creative work has been made, information technology makes it available throughout the world. As a result, cross- country differences in patent and copyright laws can result in inadequate IPR protection. In the *Uruguay Round,* negotiations on trade-related intellectual property rights (referred to as *TRIPs)* seek to balance goals of facilitating technology diffusion with the objective of promoting innovation through more effective IPR protection.

Inter-Industry and Intra-Industry Trade. Inter-industry trade involves exchanges between countries that link complementary industries, such as steel and automobiles, reflecting differences in the trading partners' economic resources (i.e., differences in *comparative advantage* and consequent specialization). In contrast, intra-industry trade involves two-way international trade flows within a single industry --such as electronics --and often consists of highly specialized components and subassemblies in transactions between affiliated firms in different countries. About one-quarter of world trade consists of intra-industry trade, which plays an especially prominent role in trade in manufactured goods among the industrial nations (see *globalization).*

Internationalization. See *globalization.*

International Atomic Energy List. See *COCOM List.*

International Commodity Organization. An organization of nations engaged in international trade involving a particular commodity. Principal motives for such an organization, such as price collaboration among producers, may be similar to those of a producer *cartel;* the organization may also establish buffer stocks to prevent wide swings in the market price of the commodity. Some international commodity organizations, established to implement a *commodity agreement,* include both producing and consuming nations. The principal international commodity organizations include:

Association of Natural Rubber Producing Countries
Intergovernmental Council of Copper Exporting Countries
International Bauxite Association
International Cocoa Organization
International Coffee Organization
International Cotton Advisory Committee
International Jute Organization
International Lead and Zinc Study Group
International Natural Rubber Organization

International Olive Oil Council
International Sugar Organization
International Tropical Timber Organization
International Wheat Council.

See also *International Rice Commission; International Tea Committee; International Tin Council; International Wool Secretariat;* and *Organization of Petroleum Exporting Countries.*

International Convention on the Simplification and Harmonization of Customs Procedures. See *Kyoto Convention.*

International Dairy Arrangement. A *Tokyo Round* agreement covering trade in dairy products, consisting of three protocols establishing minimum prices for milk powder , milk fats (including butter), and certain cheeses. The arrangement is overseen by the *International Dairy Products Council.* Signatories include Argentina, Australia, Botswana, Bulgaria, Egypt, the European Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland, and Uruguay.

International Import Certificate-Delivery Verification System. See *COCOM List.*

International Munitions List. *See COCOM List.*

Intervention Price. See *Common Agricultural Policy.*

Investment Performance Requirements. See *Performance Requirements.*

Invisibles. Items such as insurance and financial services that are included in a country's *current account* but are not recorded as merchandise imports or exports. See *services.*

Item-by-Item Negotiations. A method of tariff negotiations in which the expected trade effects of each proposed tariff cut are evaluated separately. At the end of the negotiations, participants are expected to have achieved approximate balance in the total effect of tariff cuts offered and received. The first five *GATT Rounds* used the item-by-item approach, but by the rnid-1960s it had become too cumbersome for multilateral negotiations with increasing numbers of participating countries. See *formula approach.*

J-Curve. The expected adjustment path in a country's trade balance following a currency *depreciation* or *devaluation.* Because a change in the exchange rate alters the prices of exports and imports "in the pipeline" before it affects the volume of trade, the immediate impact on the trade balance is negative (as in the downward slope of a "1"). Eventually, after the change in prices begins to affect purchasing decisions, the volume of imports and exports should move in the desired direction and the trade balance will improve (the upward slope of the "1").

J-List. A list originally established under the US Tariff Act of 1930, indicating products that are exempted from requirements that imported goods be marked to show country of origin. Items on the list are difficult or impossible to mark. See *marks of origin.*

Joint Venture. An international business undertaking involving a long-term commitment of funds, facilities, and services -- as well as joint management and sharing of risks and profits --between two firms from different countries. Many countries impose restrictions on joint ventures, such as foreign equity limits, local control legislation, and restrictions on repatriation of dividends. If joint ownership of capital is involved, the partnership is known as an equity joint venture. If more than two companies are involved, it is usually called a consortium.

Jones Act. A statute requiring that vessels carrying goods or passengers between US ports (see *cabotage*) must be built and documented in the United States and be, owned and operated by US citizens. The original Act dates from 1898, and was, subsequently incorporated into the Merchant Marine Act of 1920.

Judicial Review. In *unfair trade* cases, a mechanism for parties to a case to appeal a finding of subsidization, dumping, or injury to a court of law in the importing country.

Kennedy Round. The sixth *GAIT Round* of multilateral trade negotiations, held in Geneva from June 1963 to June 1967 with 48 countries participating. Tariff reductions -- based for the first time on *a formula approach* --covered $40 billion in trade and led to an average tariff reduction among the participating countries of about 35 percent. The Kennedy Round was the first GATT negotiation in which the member states of the European Community participated as a single entity. Moreover, developing countries for the first time played an important part in the negotiations, which resulted in the addition of *Part Four* to the GATT. The Round was named for President John F. Kennedy, who first sounded the call for the negotiations.

Kyoto Convention. Formal name is the International Convention on the Simplification and Harmonization of Customs Procedures. An international agreement sponsored in 1973 by the *Customs Cooperation Council* to harmonize the methods and procedures of national customs authorities. The convention consists of a set of principles, which apply to all signatories, together with 30 individual annexes dealing with various aspects of *customs and administrative entry procedures, rules of origin, transshipment, duty drawback, and free trade zones.* A signatory may accept or reject any of the annexes, but must adopt at least one of them and must endeavor to implement all of the annexes as soon as feasible.

Labeling. Requirement, either mandatory or voluntary, to specify whether a product satisfies certain conditions relating to the process by which it was produced.

Laissez-Faire. See *rules-oriented trade policy.* The term originated in a French idiom essentially meaning "hands-off."

Law of Similars. Regulations limiting importation of a product or altering its tariff treatment if a "similar" item is produced domestically. Also known as Market Reserve Policies.

LDCs. See *developing countries.*

Learning Curve. A technological regularity observed in many leading-edge industries, in which the marginal cost of production tends to fall as output increases, due to firms' growing experience with innovative processes (sometimes called "learning by doing"). Because of the learning curve, substantial *economies of scale* are characteristics of *high- technology* industries --in which competitive advantages accrue to firms that are among the first to enter a promising new area --constituting a major premise for various countries' *technology policy.*

Least Developed Countries (LDCs – or sometimes LLDCs, to distinguish from less-developed countries). Refers to those *developing countries* experiencing no significant economic growth, very low per capita incomes, and low literacy rates. Forty-nine countries are currently designated by the United Nations as least developed countries (LDCs). The current criteria are: low national income (per capita GDP under $900 for countries now joining the list), weak human assets (a composite index based on health, nutrition and education indicators) and high economic vulnerability (a composite index based on indicators of instability of agricultural production and exports, inadequate diversification and economic smallness). Different thresholds are used for addition to, and graduation from, the list of LDCs. A country qualifies for addition to the list if it meets inclusion thresholds on all three criteria, and if its population does not exceed 75 million. The UN General Assembly has designated 49 countries as LLDCs: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Dem. Rep. of the Congo, Djibouti, Equatorial, Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Dem. Rep., Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Tuvalu, Uganda, Tanzania, Vanuatu, Yemen, Zambia.

Less-Advantaged Countries (LACs) – The LACs are those countries that have not traditionally participated actively in the multilateral trading system and which face structural and institutional constraints with regards to international trade. This list included the 49 least-developed countries (LDCs) as defined by the United Nations, several low- and middle-income countries, and several economies in transition.

Less-Developed Countries (LDCs). An alternative term for *developing countries.* The acronym LDCs now is more commonly used to refer to least-developed countries.

Less- Than-Fair- Value. *See fair value* and *dumping.*

Level Playing Field. A concept or slogan employed by those calling for efforts to secure both *free trade and fair trade.* The term alludes to perceived inequities --including *protectionism* or *unfair trade practices*--that "tilt" the conditions of international trade competition in favor of one or another of the participants.

Liberalism. In the context of trade policy, "liberal" usually means freedom from import controls or government restraints. Liberalism connotes a preference for reducing existing barriers to trade --in contrast with *protectionism*, or a preference for retaining or raising barriers to import competition. See also *mercantilism* and *economic nationalism*

Licensing. Practice requiring approval to be granted by the relevant government authority, or by a body designated by such authority, as a prior condition to importing or exporting. See *import licensing.* See also *cross-licensing,. See Import Licensing Code.*

Like Minded Group (LMG). A 13 member developing countries coalition with similar views on trade and development issues. Members of the Like-Minded Group are Cuba, Dominican Republic, Egypt, Honduras, Indonesia, India, Kenya, Malaysia, Sri Lanka, Tanzania, Uganda, Zimbabwe and Jamaica.

Liner Conference. In maritime transport, a group of shipping companies that jointly determine freight charges, sailing frequencies, and shipping capacity within a given geographic area.

Linear Reduction. A tariff negotiating procedure based on reduction of tariffs by a specified percentage on an entire range of goods (also known as *horizontal reduction).* A linear reduction in tariff negotiations is the simplest form of *a formula approach,* and is far broader than an *item-by-item approach.*

Liner Code. Formal name is the United Nations Code of Conduct for Liner Conferences. Adopted in 1974, the Code seeks to allocate international shipping among ship owners in industrial and developing countries. The 59 signatories of the Code account for about 30 percent of world liner tonnage; the United States is not a signatory. See also *liner conference.*

Local Content Requirements. Government-imposed conditions on inward direct investments, requiring that a minimum proportion of value-added of the resulting output be derived from host-country goods or services. See *performance requirements.* Similar measures applying to imports are referred to as *domestic content requirements.*

Lomé Convention. A series of preferential trade and economic assistance agreements -- the first of which was signed in 1975 in Lomé, Togo --between the European Community and 69 former colonies of the EC member states (the *ACP countries).* Superseded the Yaounde Conventions of 1963 and 1969.

MAI: Multilateral Agreement on Investment. Effort by the OECD in the late 1990s to establish a set of disciplines on investment-related disciplines. Negotiations failed and were suspended in 1998.

Madrid Agreement. Formal name is the Madrid Agreement Concerning the International Registration of Marks. An international agreement signed in 1891 establishing a system for standardized registration of and protection for trademarks and service marks (see *intellectual property rights).* The agreement is administered by the *World Intellectual Property Organization* and is open to all states adhering to the *Paris Convention.*

Madrid Union. Formal name is the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods. An international agreement, signed in 1891 and revised several times subsequently, concluded for the purpose of suppressing false or misleading origin markings on internationally traded goods. Signatories are obligated to seize and deny importation to merchandise bearing false markings indicating origin in any other signatory country. The agreement is administered by the *World Intellectual Property Organization* and is open to all states adhering to the *Paris Convention.* See also *commercial counterfeiting.*

Managed Trade. A trade policy approach that denies the practicability of traditional "laissez-faire" approaches to trade, and instead seeks to promote the development and international competitive position of key industries. The managed-trade approach has two main elements. First, it asserts that other governments --through various forms of *industrial policy* --actively subsidize, protect or otherwise support certain domestic industries in carving out a share in world markets, and concludes that any country failing to follow suit will place its own firms at a disadvantage relative to their foreign rivals. Second, it envisages a series of international agreements codifying "rules of the game" for such interventions. A third element suggested by some advocates of managed trade -- who argue that conventional trade agreements are ineffective in such an environment --is to set quantitative targets for imports or exports in various key industries, coupled with the use or threat of trade sanctions to enforce those outcomes. Sometimes referred to as "results-oriented trade policy," in contrast with *rules-oriented trade policy.*

Manufacturing Clause. A provision of US copyright law that restricts importation of certain printed materials not manufactured in the United States.

Margin of Preference. The difference between the duty paid under a system of tariff preferences and the duty payable on an *MFN* basis. Some LDCs have complained that as average tariff levels in the industrial countries have been lowered through successive *GATT Rounds,* the margin of preference enjoyed by *GSP* beneficiaries has been eroded.

Market Access. The ability of foreign flnI1s to compete in a country's markets for given products, reflecting the extent of formal trade barriers --including tariffs as well as nontariff barriers --and the government's willingness to tolerate unimpeded foreign competition with domestic firms (see *national treatment).*

Market Access Negotiations. In the context of the *Uruguay Round* as well as bilateral trade negotiations, refers broadly to efforts to lower tariffs and nontariff barriers on manufactured and agricultural goods.

Market Conduct. In a particular industry or market, refers to practices which, individually or in combination, shape the *market performance* characteristics that are the objective of *competition policy.* Market conduct is affected by the *market structure* of the industry, and is reflected in sellers' and buyers' pricing policies and practices, overt ~ and tacit interfirm cooperation, product line and advertising strategies, R&D commitments and *innovation,* legal tactics --in enforcing patent rights, for example -- and investment in production facilities.

Market Disruption. A situation arising when a surge of imports of a particular product causes sales of domestically produced goods to decline to such an extent that the domestic producers and their employees suffer major economic reversals. The existence of market disruption is the basis for *escape clause* actions providing temporary import relief. As specified in *Section* 406 of the *Trade Act of* 1974, market disruption is considered to exist within a US industry whenever imports "are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material *injury*, or threat thereof' to that industry.

Market Imperfections or Market Failure. Often refers to two sources of departure from perfect competition, i.e., *externalities* and *increasing returns* to scale. Traditional international trade models do not take market imperfections fully into account, but are based on assumptions that perfect competition and constant returns to scale prevail in every market. Such models consequently may be inadequate for analyzing trade in such key sectors as aircraft, telecommunications equipment, semiconductors, and pharmaceuticals --where oligopolistic competition and substantial *economies of scale* frequently occur --as well as in other industries in which accrued knowledge, the *learning curve*, and R&D play an important role. See *strategic trade policy.*

Market Performance. The principal focus of *competition policy*, market performance refers to the degree to which a particular industry or market meets national objectives for production and allocative efficiency, technical progress, full employment, and promotion of equity in income distribution. Indicators of market performance include the size of gaps between actual and minimum feasible unit costs, price-cost margins, rates of change in output per hour of work, and the variability of employment over the business cycle. Instruments of competition policy --such as taxes and subsidies, international trade policies, price controls, and *antitrust* regulation --shape market performance through their effects on *market structure* and *market conduct.*

Marketing Orders. Official directives concerning the size and quality of fresh fruits and vegetables, which may be marketed during specified periods within a given region. The effect of marketing orders is to maintain prices at high levels by restricting supply. In the United States, marketing orders are issued by regional boards established by the Department of Agriculture, and including agricultural producers as members.

Market Power. The ability of an individual firm to exert control over prices prevailing in the markets for its products or services. The highest degree of market power is associated with a monopoly, although all firms except those in perfectly competitive markets possess some degree of market power. Countries' *competition policies* generally are aimed at curbing the perceived economic and political costs associated with market power.

Market Reserve Policies. See *Law of Similars.*

Market Structure. Refers to the structure of an industry or market, as reflected in the number and size distribution of sellers and buyers, the degree of physical or subjective *differentiation* distinguishing competing sellers' products, the presence or absence of barriers to the entry of new firms, the degree to which firms are vertically integrated from raw material production to retail distribution, the extent of firms' product line diversification, and cost structures. Market structure affects *market conduct,* which in turn determines *market performance* characteristics that are the goal of *competition policy.*

Marking Duties. A special charge on imported good, in addition to normal duties, imposed on merchandise not properly marked so as to indicate the country of origin. Under US law, marking duties are not considered to be penalty duties, and are not eligible for *drawback* should the foreign article be re-exported.

Marks of Origin. Physical markings indicating where an article was produced, as required by most countries' customs regulations (see *rules of origin).*

Markup. A measure of the difference between unit price of a good and its marginal cost of production. In WTO terms sometimes used to indicate the extent to which an applied tariff exceeds the bound rate.

Maximum (Minimum) Price System (for imports) Price(s) decreed by the authorities of the importing country and above (below) which price(s) imports may not enter the domestic market. Actual import prices below the decreed minimums trigger a protective action, such as the imposition of additional duties or of a quantitative restriction. Different terms are used in different countries and different sectors: basic import price, minimum import price, reference price, and trigger price.

Material Injury. See *injury.*

Material Retardation. See *injury.*

Meat Import Act of 1979. Legislation requiring the President to impose import quotas on fresh, chilled, and frozen beef, veal, mutton, and goat meat if the Secretary of Agriculture estimates annual imports will exceed a basic import level. The basic import level --approximately 7 percent of US domestic production --is modified annually by a production adjustment factor and a countercyclical factor.

Mercantilism. A once-prominent economic philosophy that equated national wealth and prowess with the accumulation of gold and other international monetary assets, and hence with running a persistent trade surplus. The mercantilist viewpoint has been discredited by modem economics, which has shown that national economic security and well-being are not necessarily related one way or another with trade surpluses or deficits (see discussion under *trade balance).* Nonetheless, mercantilist ideas continue to exert a powerful political hold in many countries, leading to demands for policies --such as tariff protection for domestic industries as well as export subsidies --designed to foster trade surpluses as keys to national economic strength. Since all countries cannot run .trade surpluses simultaneously, widespread pursuit of mercantilist policies tends to produce an unstable and conflict-ridden international trading system.

Minimum Import Price. See *variable levy*.

Minimum Valuation. A form of valuation for tariff purposes in which all items below a certain threshold value in an import category are valued as if they were of the minimum value.

Ministerial Conference. A conference organized by the World Trade Organization where Trade Ministers from around the world convene to discuss issues related to the WTO and international trade. On occasion, the Ministerial conference launches a *Round* of trade negotiations.

Ministerial Declaration. A decision by trade ministers of GATT members to launch a *GATT Round* of multilateral trade negotiations, establishing the agenda for the negotiations and setting out general objectives.

Mixed Credits. Exceptionally liberal financing terms for an export sale. Ostensibly provided for foreign aid purposes, mixed credits can have effects similar to *export subsidies.*

Mixed Tariff. See *compound tariff.*

Mixing Regulation. Describes two kinds of practices: (1) regulation specifying the proportion of domestically produced content in products offered for sale on the domestic market; (2) regulation specifying, for any imports of a given product, the quantity of a domestically produced like product that must be purchased by the importer.

Mode of supply. Term used in the General Agreement on Trade in Services (GATS) context to identify how a service is traded . There are four modes of supply:

- **Mode One - Cross-Border Movement of Services -** whereby a service provider transports a service across a national border;
- **Mode Two - Consumption Abroad -** whereby a consumer travels across national borders to consume a service;
- **Mode Three - Commercial Presence -** whereby a service provider establishes a foreign-based entity in the country where the service is to be provided; and
- **Mode Four - Movement of natural persons -** whereby an individual travels to another country in order to deliver a service.

Modifications. Alteration or withdrawal of trade concessions previously made within GATT. Contracting Parties are permitted by Article 28 to modify concessions in their tariff schedules every three years by renegotiating changes with those GATT members that would be primarily affected. By introducing some flexibility to the structure of GATT obligations, this provision allows members to adapt to changing conditions in world trade while proscribing frequent tariff changes that would create uncertainty and instability. See also *rectifications.*

Montreal Protocol. Full title is the Montreal Protocol on Substances That Deplete the Ozone Layer. Signed in 1987, the Montreal Protocol was the first major international agreement to establish *environmental trade measures.* Under the Protocol, trade with non-signatory countries of products containing chlorofluorocarbons (CFCs) --principally used in refrigerators and air conditioners --and fire-extinguishing halons is to be limited or banned. The Protocol also discouraged relocation of CFC plants to non-signatory countries. As of September 1993-94 industrial countries and LDCs were parties to the Protocol.

Moral Rights. An artist's ability to control use of creative works such as books and films, even after relinquishing economic rights to another copyright holder such as a publisher or producer. Differences in countries' treatment of moral rights pose obstacles to international negotiations on protection of *intellectual property rights.*

Most-Favored-Nation (MFN). The principle according to which each signatory of a trade agreement will apply its trade restrictions or concessions equally among all other signatories. MFN is the fundamental principle of the GATT; all *Contracting Parties* agree to apply MFN treatment to one another, although exceptions exist --for example, in granting preferential treatment to developing countries, or for members of a customs union or free trade area (see *waiver).* When a country agrees to reduce tariffs on a particular product imported from one country, the tariff reduction automatically applies to imports of that product from any other country eligible for MFN treatment. Because of this, MFN serves as a powerful inducement for countries to join GATT , as well as a facilitator of trade liberalization generally. MFN terminology dates from the sixteenth century --when it was used in commercial agreements according the most advantageous customs treatment extended by a government to any trading partner, i.e., to the "most- favored nation" --but in modern usage it refers to nondiscrimination in international trade relations. Despite occasional misinterpretation in press reports, MFN does not entail "favored" (i.e., preferential) treatment of a trading partner.

MTN Codes. See *multilateral trade negotiations.*

Multifiber Arrangement (MFA). (See *textiles.)* Full name is the Multifiber Arrangement Regarding International Trade in Textiles. An international arrangement under which GATT members apply quantitative restrictions on imports of textiles and clothing when importing countries consider them necessary to prevent *market disruption.* The MFA --covering cotton, wool, and man-made fiber textiles and apparel products -- establishes a framework for negotiating bilateral *voluntary export restraints (VERs)* or *orderly marketing agreements (OMAs)* among textile exporting and importing countries to prevent market disruption or to counter market-disruptive *import surges* originating from low-wage producing countries. It provides standards for determining market disruption, minimum levels of import restraints, and annual growth of imports. The MFA also provides that restrictions should not reduce imports to levels below those of the preceding year; because of this --and the fact that an importing country may impose quotas unilaterally to restrict rapidly rising textile imports from countries with which it .has no bilateral agreements --most important textile exporting countries consider it advantageous to negotiate bilateral agreements under the MFA with the principal textile importing countries. Critics claim that the MFA amounts to a bureaucratically rigged market that distorts prices; proponents argue that it is the only realistic alternative to more draconian protection of a politically sensitive sector. Under the proposed *Uruguay Round* agreement, the MFA would be phased out over a 10-year period.

The MFA was negotiated under GATT auspices even though its provisions for quantitative import restrictions would otherwise be illegal under GATT. It went into effect in 1974, superseding the Long-term Agreement on International Trade in Cotton Textiles, which had been in effect since 1962. As of September 1993,43 countries were participating in the MFA: Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Costa Rica, Czech Republic, Dominican Republic, the European Community, Egypt, El Salvador, Fiji, Finland, Guatemala, Honduras, Hong Kong, Hungary, India, Indonesia, Jamaica, Japan, Korea, Lesotho, Macau, Malaysia, Mexico, Norway, Pakistan, Panama, Peru, Philippines, Poland, Romania, Singapore, Slovakia, Sri Lanka, Switzerland, Thailand, Turkey, the United States, and Uruguay. See also *Textiles Surveillance Board* and *International Textiles and Clothing Bureau.*

Multilateral Acceptance of Test Data. Recognition by signatories of the GATT *Standards Code* of test data and certification markings from other signatories. The Code recognized that governments may require prior consultations with other signatories to arrive at mutually acceptable understanding of testing methods and results. Negotiations in the *Uruguay Round* to strengthen and expand the Code are considering ways to improve arrangements for acceptance of foreign-generated test data.

Multilateralism. An approach to trade policy focusing on multilateral negotiations (as opposed to bilateral negotiations or regional trade arrangements) as the most effective way of liberalizing trade in an interdependent global economy. Because concessions in one bilateral or regional deal may undermine concessions made to another trading partner in an earlier deal, basing a country's trade regime on a sequence of bilateral arrangements can be both technically demanding and politically divisive. In principle, multilateralism broadens the scope of possible deal-making by enabling "cross-trades" (e.g., concessions by country A that benefit country B, enabling country B to make concessions favoring country C, which then may be in a position to make concessions sought by country A.) In the absence of such cross-trades, liberalizing deals may be possible only if two countries each happen to be willing to offer the precise concessions that the other is seeking.

Multilateral Agreement on Investment. See *MAI.*

Multilateral Steel Agreement (MSA). A proposed agreement that would phase out tariffs, eliminate nontariff barriers, and end direct state subsidies to the steel sector. MSA negotiations collapsed in March 1992 and resumed in mid-1993 among 37 steel-producing nations.

Multilateral Trade Negotiations. See *GATT Round.* The 1974-79 *Tokyo Round* was referred to formally as the Multilateral Trade Negotiations (MTN). As a result, the various *GATT Codes* negotiated during the Tokyo Round are sometimes referred to as "MTN Codes."

Multilateral Trade Organization (MTO). A proposed organizational arrangement that would implement the results of the *Uruguay Round,* including agreements in areas such as *services* and *intellectual property rights* that would go beyond the scope of the existing GATT.

Multilateral Trading System (MTS). Includes all the rules and regulations and requirements related to globalization and international trade.

Multiple Exchange Rates (also known as Differential Exchange Rates). A system of officially prescribed rates of exchange for a country's currency that varies depending on the type of transaction involved. For example, a government may assign its currency a given value for capital transfers, but provide for a less favorable rate of exchange for imports of luxury items, thereby increasing the price of the latter and discouraging their importation. As with other forms of *exchange controls,* multiple exchange rates can function as a disguised trade barrier, and their use is discouraged by the IMP.

Mutual Recognition. The acceptance by one country of another country's certification that a product has satisfied a product standard. Often based on formal agreements between countries if the standards are mandatory.

National Champions. Firms that are the focus of government efforts to consolidate a national industry through *industrial targeting.* Such policies may be prompted by a global *shakeout* --aimed at regrouping marginal companies around a "champion" as a counter to consolidation into multinational corporations --or as an alternative to permanent protection of noncompetitive firms.

National Trade Estimate (NTE) Report. A report on significant foreign trade barriers published in the spring of each year by the Office of the US Trade Representative, with contributions from other Executive Branch departments and agencies and US embassies overseas. The NTE Report is required by the *Trade Act of* 1974, as amended by the *Trade Acts of* 1984 *and* 1988, and inventories the most important barriers affecting US exports of goods and services, US direct investment in other countries, and foreign protection of *intellectual property rights.* The NTE Report covers barriers deemed to have a significant bearing on US interests, whether or not they are consistent with international trading rules. Many countries are excluded from the NTE Report, due either to the relatively small size of their markets or to the lack of major complaints from US industry and agriculture groups.

National Treatment. The principle that foreign goods, services, or investment are to be treated "no less favorably" within a nation's domestic markets than competing products or services produced locally, once import duties have been paid and applicable customs regulations are satisfied. National treatment is one of the fundamental principles of the *GATT.*

Natural Resource-Based Products. Designation for one of the negotiating groups in the *Uruguay Round* that focused on trade barriers affecting non-agricultural primary products, including forestry products, fishery products, and nonferrous metals and minerals.

Necessity test. Procedure to determine whether a policy restricting trade is necessary to achieve the objective that the measure is intended to attain.

Negative list. In an international agreement, a list of those items, entities, products, etc. to which the agreement will *not* apply, the commitment being to apply the agreement to everything else. Contrasts with Positive List.

Negotiating Group. A group of country delegates in a *GATT Round* charged with planning and managing multilateral negotiations concerning a particular issue or product sector. At the outset of the *Uruguay Round,* two major groups were established --the Group on Negotiations of Goods (GNG) and the Group on Negotiations of Services (GNS) --with 14 issue-oriented subgroups. In Apri11991, these activities were consolidated into seven negotiating groups; work in the final phase of the Round has been organized within four major issue-clusters or *Tracks.*

NEPAD. The New Partnership for Africa's Development (NEPAD), adopted by African Heads of State and Government in Nigeria in October 2001, is an agenda set by African leaders to eradicate poverty through sustainable growth and development and through active participation in multilateral fora. It is an initiative that signals to the international community that African leaders are serious and committed to sustainable development and that they welcome partnership and support in Africa's development efforts. NEPAD is a comprehensive framework for the socioeconomic development of Africa. NEPAD provides a vision for African development, a statement of the problems facing the continent, and an action plan to resolve these problems. It is an integrated development plan designed by African leaders that addresses key social, economic and political priorities. NEPAD has seven main initiatives:

- Peace, Security, Democracy and Political Governance;
- Economic and Corporate Governance;
- Infrastructure;
- Human Resource Development;

- Capital Flows;
- Market Access;
- Environment.

Net Food Importing Developing Countries (NFIDC). A group of developing countries that import more food than they export. These countries are concerned that with the liberalization of agriculture and the reductions on agricultural export subsidies, agricultural prices on the world market would rise. This would potentially impact their low-income populations and ultimately slow development. Therefore effective measures to ensure food security are of primary concern for this group of countries.

Net Subsidy Test. A proposed modification of rules governing application of *countervailing duties,* whereby an importing country could impose duties on the margin by which export subsidies exceed subsidies provided to producers of competing goods in the importing country.

New Economic Partnership. See *Framework Initiative.*

New International Economic Order (NIEO). An agenda for discussions between industrial and developing countries focusing on restructuring of the world's economy to permit greater participation by and benefits to LDCs (also known as the "North-South Dialogue"). The term is derived from the Declaration for the Establishment of a New International Economic Order, adopted by the United Nations General Assembly in 1974, and refers to a wide range of trade, financial, commodity, and debt-related issues. While the term continues to have currency in academia, it has fallen into disuse in policy-related discussions.

New Partnership for Africa's Development (NEPAD). See *NEPAD.*

Newly Industrialized Countries (NICs). Now generally obsolete term; has been superseded by *NIEs,* since inclusion of Taiwan and Hong Kong made use of the word "countries" inappropriate.

Newly Industrializing Economies (NIEs). A subgroup of *developing countries* that have experienced particularly rapid industrialization of their economies, with industrial production and exports expanding accordingly. Current usage tends to limit the term NIEs to Hong Kong, South Korea, Singapore, and Taiwan, although texts dating from the early 1980s often extended the related term *NICs* to Mexico and Brazil, and sometimes India and Argentina. The East Asian NIEs are sometimes referred to as the Four Tigers or Four Dragons. See also *Dynamic Asian Economies (DAEs).*

Newly Independent States (NIS). The successor states to the former Soviet Union, i.e., Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Nomenclature. See *customs classification.*

Nominal rate of protection. The proportion by which the (tariff-inclusive) internal price of an import exceeds the border or world price. See also *Effective Rate of Protection.*

Non-application. In the context of *Uruguay Round* discussions of a proposed *Multilateral Trade Organization,* refers to a signatory's right to "non-apply" portions of the MTO agreements to any other country at the time it becomes a member. Preservation of such a right can have an important effect on ongoing negotiations in various areas that would be incorporated in an MTO --e.g., on market access for goods and services, and on intellectual property protection --because it prevents *free-riders* and maintains incentives for countries to exchange reciprocal concessions within each area.

Nondiscrimination. Equal application of tariffs, quotas, or other trade restrictions to products from different trading partners. The principle of nondiscrimination is enshrined in Article 1 of the GATT (see *most-favored-nation principle).* See also *national treatment.*

Nondumping Certificate. A document or notation on a shipper's invoice attesting that the merchandise described is being sold at a price no lower than that applying to sales of ~ similar products in the country of origin.

Noneconomic objective. Describes situations where a policy objective is other than the efficient allocation of resources. In the trade policy setting refers to the view that a restriction on imports may serve a purpose that goes beyond the restriction of trade itself. In general desired changes in output, consumption, etc. can be achieved at lower economic cost through other types of policies.

Nonmarket-Economy Country. A country in which economic activity is regulated by central planning, in contrast to a market economy that relies principally upon market- based prices to allocate productive resources. In such a country, tariffs have no meaningful impact on import decisions. In GATT contexts, the term applies to members that were not market economies at the time of their accession --i.e., Poland, Hungary, and Romania. These countries joined under special provisions designed to prevent disruption of other members' trade, together with arrangements to ensure steady expansion of the nonmarket-economy country's imports from other GATT members. Poland is renegotiating its accession protocol in light of its abandonment of central planning, and Hungary has announced its intention to follow suit. See also *State Trading Nation.*

Non-Paper. In GATT parlance, a proposed agreement or negotiating text circulated informally among delegations for discussion without committing the originating delegation's country to the contents.

Nontariff Barriers (NTBs). Measures other than tariffs that burden or restrict international trade. NTBs may be financial (e.g., internal taxes and customs fees) or nonfinancial (e.g., quantitative restrictions and excessive documentation requirements). The term is sometimes used in reference to nongovernmental actions or impediments to trade, such as internal distribution systems that discourage imports, but in GATT contexts the term refers to measures imposed by governments. Negotiations involving reduction of NTBs are generally more difficult than tariff negotiations since NTBs are almost always closely linked to other national policies or programs.

Nontariff Measures (NTMs). A broader term than *NTBs*, including not only import-restricting barriers but also measures that distort trade by stimulating exports. See *GATT Codes.*

Nonviolation. In GATT *dispute settlement* negotiations, refers to provisions allowing the Contracting Parties to investigate and rule upon complaints concerning measures that are not in violation of GATT or are outside its scope, but which may affect the balance of a member's rights and benefits under the General Agreement. Because any country that considers itself harmed by such measures would claim the right to alter its GATT legal obligations in response, Article 23 provides a way of adjudicating such situations in a multilateral forum. Nevertheless, GATT supervision of nonviolation complaints has proven difficult to implement since it implies altering GATT legal relationships already consented to among contracting parties.

Norm Price. See *Common Agricultural Policy.*

Normal Value. Price charged by an exporting firm in its home market. Used to compare with the price charged by the firm on an export market to determine if there is dumping. (GATT Art. VI). See also Dumping. An alternative term for fair value.

North-South Dialogue. See *New International Economic Order (NIEO).*

North-South Trade. In the parlance of the 1970s and 1980s, trade between the developed market economies ("the North") and developing countries ("the South").

Note Verbale. A formal diplomatic communication delivered orally to an official representative of another country. The written form is a *demarche.*

Notification. In the context of GATT, refers to the procedure of informing the GATT Secretariat of a change in a country's trade policies, such as application of a new or revised trade-restrictive measure, and of subsequently informing other member countries of the change by the Secretariat.

Nullification or Impairment. The adverse effect on a GA TI member's trade interests caused by changes in the trade regime of another member, or by another member's failure to carry out its obligations under GATI .In GATT parlance, "nullification or impairment" is the basis for initiating formal action under the *dispute settlement* procedures.

Obligations. In the context of GATT, the principal obligations of contracting parties are; (a) to use only approved instruments of protection, primarily tariffs; (b) to use those instruments in a nondiscriminatory way, extending any opening of a market to all GATT trading partners; and (c) to submit all protection to a long-term process of non-reversible reductions through negotiations with other GATT members. For specific substantive obligations, see *disciplines.*

Observer. An observer to the GATT is a country or international organization that has been authorized by the *GATT Council* to attend but not participate in sessions of the Council and various GATT committees and negotiating groups. Most *countries in transition* have been accepted as observers to GATT, which allows officials from these countries to familiarize themselves with Western trade practices and consultation procedures. The *International Monetary Fund* and *UNCTAD* are among the institutional observers to GATT.

Offer List. Concessions offered by a country in trade negotiations, or a list of selected commodities on which a country proposes to make concessions. An offer list may cover proposed exceptions if *a formula approach* is being used in a tariff negotiation, or it may offer to accept expanded coverage under a proposed *GATT Code.*

Offset Requirement. Requirement, stipulated by the authorities of the importing country, that exporters to that country compensate for their exports by, say , purchasing products of the importing country or investing in the importing country. Also see Counter trade.

Offshore Production. Manufacturing activities and assembly operations of foreign subsidiaries or affiliates. Beginning in 1963, US customs regulations --under Items 806.3 and 807 of the US Tariff Schedules, applying to imported articles assembled in whole or in part from US-fabricated components --provided a significant incentive to firms in the electronics and other industries to adopt an offshore assembly strategy, by applying duties only to the extent of the value added abroad. (Offshore production usually implies re-exports to the home country or to third-country markets, while the term *screwdriver assembly* refers to operations within the country where the completed products are to be sold.) See also *export platforms* and *globalization.*

Offsets or Offset Requirements. Requirements imposed by governments on foreign exporters as a condition for approval of major sales agreements. Offsets can be intended either to reduce the adverse trade-balance impact of a major sale or to "leverage" specific industrial benefits for the importing country .In one type of offsets, an exporter may be required to purchase a specified amount of locally-produced goods or services from the importing country .In a second form, the exporter may be required to establish manufacturing facilities in the importing country or to secure a specified percentage of the components used in manufacturing the product from producers based in the importing country.

Oligopoly. A domestic or international market structure comprising several firms, each of which is large enough to affect prices but none of which holds an uncontested monopoly position. While limited price competition may occur among sellers in an oligopoly, a single large producer may assume a leadership position in establishing prices or terms of sale that the other firms will tacitly follow. When concerned action or collusion occurs among oligopolistic firms, the association is known as a *cartel.*

Omnibus Trade and Competitiveness Act. See *Trade Act of* 1988.

Orderly Marketing Agreement (OMA). A contractual agreement between two or more governments to restrain the export growth of specific products. OMAs are supposed to ensure that export surges do not disrupt, threaten, or impair *sensitive* sectors in the importing country or countries. OMAs usually entail establishment of an export licensing system and export or import quotas for the goods in question. The economic effect of an OMA is similar to that of a *quota* --with the important difference that real income is also transferred from consumers in the importing country to established producers in the exporting country. See also *Voluntary Restraint Agreements.*

Origin Rule. Criterion for establishing the country of origin of a product. Often based on whether production (processing) leads to a change in tariff heading (classification) or on the level of value added in the country where the good was last processed.

PPM. See *Production Processing Method*.

PRSP. See *Poverty Reduction Strategy Paper*.

Packaging, Labeling, and Marking Regulations. National requirements that importers must package their goods in certain kinds of containers or identify the contents in a particular way. Such measures are normally intended to meet domestic policy objectives, such as consumer protection, but may be regarded as a *nontariff barrier* to the extent that they pose more problems for producers of imported goods than for domestic producers.

Panel (or Panel of Experts). In the GATT *dispute settlement* process, an ad hoc group of impartial and knowledgeable trade experts --usually three to five, serving in their personal capacity and not as representatives of governments --commissioned by the GATT Council to hear opposing arguments and investigate the facts involved in a dispute, and to issue findings and make recommendations as appropriate. Although a GATT dispute panel may superficially resemble an international tribunal, its findings have no legal force; rather, its essential function is to set the stage for the disputing parties to achieve a negotiated resolution between themselves.

Parallel Imports. Goods, which are authorized by the owner of *intellectual properly rights* for sale in one country, but which are then subsequently shipped to another country without the owner's permission. Traders who engage in such activities are known as parallel traders. Parallel imports are likely to occur when a trader can purchase a particular good in one country and resell the good in another country at a price which is sufficiently higher to cover the costs of the operation; such activities take place at the expense of the rights owner and of authorized licensees. Many LDCs have laws that prevent intellectual property owners from enforcing restrictions on licensees' exports (see *compulsory licensing* and the *exhaustion* principle).

Para Tariff. Charges on imports that act as a tariff but are not included in country's tariff schedule. Examples include a statistical tax, stamp fees, etc.

Paris Convention. Formally known as the Paris Convention for the Protection of Industrial Property. An international agreement on protection of *industrial property* such as patents, trademarks, and *appellations of origin,* concluded in 1883 and administered by the *World Intellectual Property Organization.* The Convention provides for *national treatment* (also known as "assimilation") in signatories' patent and trademark laws, and provides a means of determining priority between competing claims (see *right of priority).* LDC participants in the *Uruguay Round* negotiations on *intellectual property rights (IPR)* generally prefer the Paris Convention to the *Berne Convention because the former permits exception from patent coverage for foods, drugs, and* chemicals, and because it allows them autonomy in establishing national IPR systems in accordance with their development objectives and strategies.

Part Four of GATT. Articles 36, 37, and 38, added to the GATT in 1966 to address the development needs of less-developed contracting parties. These Articles are essentially exhortative, as they contain no binding obligations on GATT members.

Partial Equilibrium Analysis. The study of one market in isolation, assuming that anything that happens in it does not materially affect any other market.

Patent. The grant of an exclusive right to manufacture and market an invention for a specified time, based on a novel idea that provides a solution to a specific technological problem. See *intellectual property rights.*

Patent Cooperation Treaty. An international agreement which permits nationals and residents of a signatory country to seek patent protection in any or all of the signatories by means of a single patent application. See *intellectual property rights.*

Performance Requirements. Government-imposed rules or conditions requiring foreign investors to serve particular national objectives. Trade-related performance requirements --such as commitments to export a specified amount of the output of a new plant, or to incorporate a minimum share of local content in its production --can have the same effect as export-stimulating or import-restricting *nontariff measures,* but without being subject to GA TT rules. Nearly all major trading partners of the United States, impose performance requirements on at least some local affiliates of foreign corporations. See *Trade Related Investment Measures.*

Peril Point. A hypothetical limit beyond which a reduction in tariff protection would cause serious injury to a domestic industry. US legislation in 1949 required the Tariff Commission to establish "peril points" for all US industries, and for the President to submit specific reasons to Congress if and when any US tariff was reduced below such levels. This requirement was an important constraint on US negotiating positions in early *GATT Rounds*, and was finally eliminated by the *Trade Act of* 1962.

Petition. A request to investigate alleged dumping by foreign companies or export subsidies by a foreign government. Petitions are usually filed with a designated governmental agency of the importing country by private firms or industry associations, although sometimes governments independently initiate *unfair trade* investigations.

Phytosanitary Measures. See *Sanitary and Phytosanitary Measures.*

Pipeline Protection. In international negotiations on protection of *intellectual property rights*, refers to the protection of patents for products that are still in the testing phase. Because pharmaceuticals require up to 10 years to test, many drugs that are 'tin the pipeline" would not otherwise qualify for patent protection because they would no longer be considered novel at the time laws pursuant to a *Uruguay Round* IPR agreement come into force. Also known as transitional protection.

P.L. 480. Full name is the Agricultural Trade Development and Assistance Act. Legislation enacted in 1954 to assist LDC economic development through the ~ concessional sale or grant of US farm products. Title I of the Act authorizes low-interest, long-term financing of US farm exports to LDCs; payments for such sales are earmarked for use in the importing country to fund agricultural development projects and programs. Title II of the Act permits donation of US food products to countries suffering from famines or natural disasters. Title III established the Food for Peace Program and the Export Credit Guarantee Program of the *Commodity Credit Corporation.*

Plurilateral. In GATT parlance, refers to a consultation or negotiating session involving more than two countries (bilateral) but less than the full membership of GATT (multilateral).

Plurilateral agreement. In WTO, an agreement to which membership is voluntary, dealing with an issue that is not covered by the WTO. In 2002 there were two plurilateral agreements—on civil aircraft policies and government procurement.

Political Risk. The risk, borne by an exporter or international lender, that settlement of the importer's or borrower's obligation may be precluded by political or military conditions in a foreign country .See also *commercial risk*.

Portfolio Investment. A minority interest in a foreign venture from which income is .derived in the form of dividends. In contrast with *direct investment*, a portfolio investment position does not convey significant control over the management or operations of the foreign firm.

Positive List. In an international agreement, a list of those items, entities, products, etc. to which the agreement *will* apply, with no commitment to apply the agreement to anything else.

Poverty Reduction Strategy Paper (PRSP). Document describing a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the

World Bank and IMF, and provide the basis for concessional lending and debt relief under the enhanced HIPC initiative.

Precautionary principle. Policy under which measures are motivated by the possibility that use of certain technologies (e.g., biotechnology, genetically modified organisms, pesticides) could be harmful to human or animal health and safety or the environment, although there is no certainty to that effect.

Predatory Pricing (also Predation). In international trade contexts, an aggressive pricing strategy in which a foreign producer prices below cost to drive domestic firms out of business, leaving the foreign firm with effective market power. Predation may involve pricing below marginal cost, possibly supported by government subsidies. Proponents of *antidumping duties* often justify such measures on grounds of preventing predation by foreign firms; critics maintain that a predatory pricing strategy is implausible in global industries that include many producers.

Preemption. The prerogative of customs authorities to seize and sell merchandise that an importer has deliberately undervalued to avoid payment of duties.

Preferences. Special trade advantages granted by an importing country to certain trading partners, in contrast to nondiscriminatory treatment conforming to the *most-favored- nation* principle. Most preferences are granted to LDCs by industrial countries to promote export growth and development (see *GSP).* In addition to preferential tariff rates, preferential application of other measures such as licensing practices, quotas, or taxes may also be granted. The term is not normally applied to special trade treatment granted by a country to its partners in *a free trade area, customs union,* or *common market.*

Preferential Trade Arrangement (PTA). A group of countries that grant each other special trade advantages, such as preferential tariff rates, in order to promote member countries' export growth. Special licensing practices, quotas, or preferential application of taxes and other measures are sometimes granted. Many such arrangements are non-reciprocal, in which beneficiary members --usually LDCs --are accorded preferential access to markets of preference-granting countries without making similar market access commitments themselves. Because preferential arrangements violate the *most favored-nation principle,* a *waiver* is required for establishing any such arrangement in which GATT members participate.

Preliminary Duties. Duties imposed on a provisional basis during the course of an *antidumping* investigation, following a preliminary finding of *dumping* and *injury* to domestic industries.

Preshipment inspection (PSI). Mechanism under which goods are inspected and certified in the country of origin by specialized inspection agencies or firms. Often used by importing governments to combat over- or under-invoicing of imports by having the value of consignments determined by independent, foreign entities.

Previously Centrally Planned Economies. See *countries in transition.*

Price Bands. A form of *variable levy* linked to a system of domestic price controls. Countries such as Chile and Colombia allege that their price-band systems are a more transparent alternative to high import duties and quotas for stabilizing prices and protecting domestic producers.

Price Competitiveness. See *competitiveness.*

Price Discrimination. The practice of charging unequal prices to different buyers of products that are essentially identical, when such pricing does not correspond to differences in supply cost. *Dumping* is a form of price discrimination which, in principle, can be maintained only if the exporter's home market is sheltered by trade barriers (preventing re-importation of goods which have been sold below cost in foreign markets).

Price-Fixing Agreement. See *cartel.*

Price Supports. A program of official measures, most commonly applied to agriculture, designed to stabilize or raise the price that producers receive for their products. Price supports may include cash payments, government purchases of output, or special financing programs.

Price Undertaking. An agreement by an exporting firm with the government of an importing country to raise the price of its products to a level sufficient to avoid *injury* to producers of similar goods in the importing country, in order to forestall imposition of *antidumping duties.* See also *suspension agreement.*

Primary Commodity or Primary Product. An agricultural, forest, mineral, or fishery product sold in its original form, including such processing as may be necessary to make the product suitable for sale in international trade.

Principal Supplier. The country that accounts for the largest portion of total GATT trade in a product imported into a given country. In multilateral GATT negotiations, a country offering to reduce import duties or other barriers on a particular item will generally expect the principal supplier of that item to reciprocate by offering reductions of barriers on some other item. Any tariff concessions exchanged through such negotiations are extended automatically to all other countries, which enjoy *MFN* status. The principal supplier --along with any country holding *initial negotiating rights* --has first claim to negotiate compensation in the event that an importing country raises a tariff above its bound rate (see *binding* and *modification).* See also *substantial supplier.*

Prior Deposits. A requirement as a condition for importing that an importer deposit a specified sum of money --in domestic or foreign currency, and usually a percentage of the value of the imported goods --in a commercial bank or central bank for a specified length of time. Prior deposits are usually administered in conjunction with *import licensing*, with deposits required at the time a license is granted. Since such funds are often held without interest from the time an order is placed until the import transaction has been completed, prior deposits are usually regarded as *nontariff barriers* to trade.

Prisoner's dilemma. A situation where agents with perfect information that act rationally (i.e. pursue their "selfish" best interests) are confronted with a set of payoffs (or rewards) in which not cooperating is the dominant strategy, even though cooperation would in principle increase their joint payoffs.

Product Cycle. The evolution of a production process from innovation through obsolescence, constituting a fundamental dynamic element in international *competitiveness* and trade patterns over time. For some products, production tends to "migrate" from country to country over the product cycle. Innovations tend to arise in high-income, high-wage countries where the payoff for economizing on labor is greatest; new products therefore appear in international trade initially as exports of the innovating country. As the technology matures, manufacturers seek to produce on a large scale as cheaply as possible (i.e., mass production with less-skilled labor), and production may be pulled to countries such as *NIEs* and LDCs with lower labor costs. Eventually, the product may recede in importance or become obsolete as it is displaced by newer innovations. The product cycle can be a key factor in *globalization* of some industries -- as well as a source of trade friction, since *adjustment costs* can be substantial as industries migrate internationally.

Production and processing method (PPM). Used in instances where trade policy action by a country is motivated by a desire to ensure that imports have been produced in a way that satisfies a national or international production or process norm. Often these norms will be environmental in nature.

Protectionism. Restriction of international trade by a government in order to shelter domestic producers from foreign competitive pressures. Fundamentally at odds with the principle of *comparative advantage.*

Procedural Protectionism. Abusive administration of import control procedures allowed under GATT (especially those related to *unfair trade practices)* so that domestic industries are protected in ways never intended by signatories to the GATT or the relevant *GATT Codes.*

Process and Production Methods (PPMs). In the context of *environmental trade measures*, refers to factors other than a commodity's physical characteristics --such as processes and methods used in its production --that have an impact on pollution levels or loss of endangered species, and that are regulated by national product *standards* or other restrictions in order to meet environmental objectives.

Proclamation Authority. Legislation delegating authority to the US President -- for a specified period and subject to certain guidelines --to negotiate and implement tariff reductions without having to seek congressional approval. (For provisions concerning trade agreements dealing with matters other than tariffs, see *Fast-Track.)*

Producer Subsidy Equivalent (PSE). The share of a producer's total revenue that is attributable to direct or indirect government transfers.

Prohibitive Duty. A tariff rate that is sufficiently high that it effectively precludes most or all imports. Prohibitive duties are usually intended to protect infant or ailing industries from foreign competition or to retaliate against another country's trade practices.

Protection. Government measures --including tariffs and non-tariff barriers --that raise the cost of imported goods or otherwise restrict their entry, and thus strengthen the competitive position of domestic producers vis-a-vis foreign producers. See *protectionist.*

Protective Tariff. See *tariff*

Protocol of Accession. A legal document that recognizes the rights and obligations agreed to as a consequence of a country's signing an international agreement or joining an organization, such as the GATT.

Protocol of Provisional Application. The legal device that enabled the original Contracting Parties of the GATT to accept general GATT obligations and benefits, despite the fact that some of their existing domestic legislation discriminated against imports in a manner that was inconsistent with certain GATT provisions (see *grandfather clause).* Although the protocol was intended to be temporary, it has remained in effect since 1947 (see *International Trade Organizatio).* Countries that acceded to the GATT after 1947 do not have recourse to the protocol.

Protocol Relating to Trade Negotiations Among Developing Countries. An agreement negotiated under GATT auspices in 1973, providing for reciprocal tariff and other trade concessions among developing countries.

Punta del Este Declaration. A declaration adopted by trade ministers of GATT member countries in September 1986 at Punta del Este, Uruguay, launching the *Uruguay Round* of multilateral trade negotiations.

Quadrilateral ("Quad"). In GATT parlance, a meeting involving senior trade officials or ministers from the United States, Japan, the European Community, and Canada, convened to discuss trade policy matters and review the status of multilateral negotiations. In trade policy, a Quad meeting at the ministerial level is the equivalent of a 0-7 finance ministers' meeting, since the EC speaks for Germany, France, Italy, and the United Kingdom on trade matters.

Quantitative Restriction (QR). A term that applies to a *quota* or other administratively determined ceiling on imports or exports, usually expressed in volume terms, and sometimes specifying the amount that may be imported from each supplying country. QRs are distinguished from trade restrictions that operate through the price mechanism, "T such as a *tariff* or *surcharge.* GATT Article 11 generally prohibits QRs, although several exceptions are made.

Quasi-Judicial Procedures. Procedures through which US law is made by regulatory agencies applying general statutes to specific cases. On trade issues, procedures administered by the International Trade Commission and the Department of Commerce determine the eligibility of petitioners for import relief under the escape clause, countervailing duty , antidumping, or other trade statutes

Quota. See *import quota.*

Quota Rents. The increase in profits that accrue to an import dealer (under an import quota) or an exporting firm (under an export quota or *voluntary restraint agreement*). Quota rents result from the effect of a quota in raising prices in the importing country above the competitive equilibrium level as market supply is reduced. Under a tariff, in contrast, the government of the importing country derives economic benefits from the trade restriction.

Quota Auctioning. See *import quota auctioning.*

Real exchange rate. The nominal exchange rate adjusted for inflation. Unlike most other real variables, this adjustment requires accounting for price levels in two currencies. The real exchange rate is: $R = EP^*/P$ where E is the nominal domestic-currency price of foreign currency, P is the domestic price level, and P^* is the foreign price level. Equivalent to the real price of foreign goods; i.e., the quantity of domestic goods needed to purchase a unit of foreign goods. Also defined as the relative price of traded goods in terms of non-traded goods.

Rebalancing. A term used in GATT agriculture negotiations, referring to the ability to shift import protection from one product sector to another following an international agreement to cut overall subsidy levels.

Reciprocity. The principle traditionally underlying GATT negotiations, according to which trading partners exchange comparable concessions by negotiating mutually advantageous reductions in import barriers. GATT rules specify that LDC Contracting Parties are not expected to offer fully reciprocal concessions in negotiations with industrial countries. The term "relative reciprocity" is sometimes used to characterize the practice by industrial countries to seek less than full reciprocity from LDCs in trade negotiations. See also *sectoral reciprocity* and *selective reciprocity.*

Reciprocal Trade Agreements Act. See *Trade Act of* 1934.

Rectifications. Changes made in a country's schedule of GATT concessions, usually .involving correction of errors but occasionally involving duty changes or withdrawal of items from a schedule as a result of the negotiated settlement of a dispute with another country .See also *modifications.*

Reference Price. See *Common Agricultural Policy.*

Regional Cooperation Organization. A group of countries that have established a mechanism for trade-related discussions and negotiations with outside countries and regional groupings, and for ongoing consultation and cooperation on economic and trade issues of mutual concern. Such organizations sometimes serve as a forum for negotiating trade liberalization or policy harmonization among members.

Regional Trade Arrangement. See *trade bloc.*

Related Specificity. A rule of customs law that when two or more tariff provisions might be applied to an imported item, the one that most specifically describes the article shall be applied.

Relative Reciprocity. See *reciprocity. Remission. See duty remission.*

Remedy. Legal term to describe a measure recommended by a WTO dispute settlement panel that aims to bring the policies of a member found to have violated WTO rules or disciplines into compliance with its obligations.

Rent-Seeking. In international trade contexts, refers to the economically unproductive practice of individuals, firms, and industries investing significant resources in lobbying activities to obtain protection from foreign competition. Refers to activities that use resources to obtain incomes through transfers but which do not increase national income. Such activities result in an extra cost to society (the loss of income from the diversion of resources away from productive towards rent-seeking activities) beyond the distortionary costs associated with measures that give rise to the rents.

Repatriation. The transfer of investment earnings or the return of capital from a foreign country to the investor's home country.

Request/Offer Approach. A tariff negotiating procedure whereby specific requests (e.g., cuts of a specified amount in the tariff on particular products) are submitted to a trading partner identifying the concessions sought and those proposed to be given in return. Counter-offers are exchanged and negotiated by the countries involved and, once the deal is struck, results are extended to all other GATT members in accordance with the *MFN* principle. In contrast with *the formula approach,* the request/offer approach tends to concentrate negotiating efforts in areas of primary commercial interest to participating countries. A potential drawback is that it may forego opportunities to achieve broad, across-the-board trade liberalization.

Resale Price Maintenance. See *vertical restraints.*

Residual Restrictions. *Quantitative restrictions* maintained since before 1947 by governments that were original signatories of the GATT, and hence were permitted under the *grandfather clause.* Most residual restrictions were maintained by industrial countries against imports of agricultural products.

Restitutions. Certain payments made under the European Community's *Common Agricultural Policy (CAP)* to exporters of processed agricultural products made from raw materials for which the processor paid higher than world prices. In principle, restitution payments are not supposed to subsidize exports, but only to lower their selling prices to the levels that would have prevailed in the absence of CAP price distortions.

Restraint of Trade. Combinations, contracts, or other oral or written arrangements designed to establish a monopoly position, impede competition, fix prices, or prevent entry by potential rivals. Acts in restraint of trade are generally treated by *competition policies* as inimical to the public interest, and may be specifically prohibited by *antitrust* laws.

Restrictive Business Practices. Actions of private or public enterprises --such as collusion among the leading international suppliers of a product --that limit access to markets or restrain competition. See *competition policy.*

Results-Oriented Trade Policy. See *managed trade.*

Retaliation. Punitive action taken to limit imports from a trading partner that has violated or reneged on a trade agreement. The GATT Council may authorize retaliation if the *dispute settlement* process has been exhausted without success. In principle, the value of trade subjected to retaliation should approximately equal the value of trade affected by the offending action, but there are no accepted guidelines in GATT practice for determining the extent of trade damage suffered by an injured contracting party. Although the threat of retaliation --especially by a major trading country --can have considerable persuasive force, actual imposition offers little economic remedy to the injured party; in some cases it can provoke counter-retaliation (see *trade war).* US authority for taking retaliatory trade actions is provided by *Section* 301 of the *Trade Act .of* 1974, as amended.

Revealed Comparative Advantage. A measure of relative competitive performance of a country's exporters of a particular product or class of goods. Calculated by dividing the country's share of world exports of the product in question by the country's share of total world trade. Products having a ratio greater than one may be considered indicative of the country's underlying comparative advantage, relative to products with ratios less than one. In this way, the measure takes into account competitive factors (such as the exchange rate) that affect the country's exporters as a whole; it also yields results that are scaled in a way that permits comparison between countries of different sizes. However , other factors --especially competitive policies and practices in the exporting country, and trade barriers protecting foreign markets --can significantly distort the results.

Revenue Tariff. See *tariff.*

Reverse Consensus. A proposed modification of the GATT *dispute settlement* procedures establishing the principle that the report and recommendations of a *GATT panel* would be adopted by the GATT Council unless *consensus* existed to reject them. Reverse consensus would thus remove a major weakness inherent in current consensus-based procedures, which allow a disputing party to block adoption of a panel report with which it disagrees.

Reverse Countertrade. See *Countertrade.*

Reverse Preferences. Tariff advantages once offered by LDCs to imports from certain industrial countries that have granted them preferences. Reverse preferences have largely been superseded by the *GSP* system.

Review. See *administrative review* and *judicial review.*

Ricardian Model. A theory for explaining international trade patterns in terms of technological differences among countries and resulting differences in their productivity. Named after the nineteenth-century British economist, David Ricardo. See *Heckscher- Ohlin Trade Model.*

Right of Priority. The principle according to which an owner of *industrial property* applying for protection in any country adhering to the *Paris Convention* is permitted -- within a prescribed period of time (twelve months for patents, six months for industrial designs and trademarks) --to apply for protection in any other signatory country and have that application treated as though it were filed at the time of the first application.

Road Taxes. Excise taxes imposed on the sale or operation of motor vehicles, which have the effect of discriminating in favor of one type of vehicle over another.

Rollback. A commitment to phase out all trade restrictions or policies that distort trade or bring them into conformity with GATT rules. Under the rollback commitment made at the outset of the *Uruguay Round,* participants are not to seek compensatory concessions for rollback measures.

Round (of trade negotiations). See *GATT Round*

Rules of Origin. The laws, regulations, and administrative practices that are applied to ascribe a *country of origin* to goods in international trade. Rules of origin include those applicable for administering country-based quotas and for establishing eligibility for preferential tariff programs, as well as for statistical reporting Safeguards. Import restrictions to prevent commercial injury to a domestic industry from a sudden surge in imports, providing temporary protection while workers and firms in the importing country adjust to the increased foreign competition. Safeguards can take the form of tariffs or quotas. Unlike *antidumping duties* or *countervailing duties,* safeguard measures are not based on a claim of unfair trade actions on the pan of exporters; their economic effects are similar, however. Article 19 of the GATT sets important limits on the use of safeguards --especially that they must be temporary, *degressive,* and applied equally to imports from all sources --and requires the country imposing safeguard measures to extend compensatory trade benefits to exporting countries adversely affected by the action. Critics charge that excessive strictures of Article 19 have resulted in few countries applying GATT -sanctioned safeguards, resorting instead to more distortive *grey area measures.* Because safeguards usually involve imports from rapidly-growing, export-oriented developing countries, however, efforts to reform or modify the provisions of GATT Article 19 have been among the most divisive areas of negotiation between industrial countries and LDCs. See *selectivity.*

Rules-Oriented Trade Policy. An idealized approach to trade policy under which governments establish a set of rules for the conduct of international trade competition -- as, for example, under the GATT --and let the market determine the outcome with minimal interference. In practice, some intervention by governments inevitably occurs, raising the question of whether this *laissez-faire* approach should be made to work better or, as suggested by advocates of *managed trade,* should be abandoned.

Safeguard (Action): Emergency protection to safeguard domestic producers of a specific good from an unforeseen surge in imports (GATT Art. XIX), to protect a country's external financial position and balance-of-payments (GATT Art. XII, XVIII:B), or to protect an infant industry in a developing country (GATT Art. XVIII:A or C). See also *Escape Clause.*

Sanctions. Trade or financial restrictions imposed against an individual country for political purposes, in an effort to influence its conduct or policies. See *blockade* and *embargo.*

Sanitary and Phytosanitary (SPS) Measures. Health and safety standards affecting imports. ("Sanitary" regulations are those applying to human and animal products; "phytosanitary" regulations apply to plants and plant products.) Such standards are established to ensure that animals and plants and their products are safe for consumption and not damaging to the environment. See also *Codex Alimentarius.*

Schedule B. The classification system in which US export data are recorded according to 4,500 seven-digit product categories. Schedule E is the rearrangement of Schedule B data conforming to the *SITC* international data format developed by the United Nations. The *TSUSA* is the import equivalent of Schedule B. The End-Use classification system, developed by the Commerce Department's Bureau of Economic Analysis, rearranges TSUSA and Schedule B data into categories associated with the principal uses of the traded goods. Finally, the SIC-Based Trade Data classification system, developed by the Census Bureau, transforms original TSUSA and Schedule B data into an approximation of the *SIC* format. .

Schedule of Concessions. A list of import duties applicable to specific goods which a GATT Contracting Party maintains on an *MFN* basis as a condition of its membership. See *tariff schedule* and *binding.*

Screwdriver Assembly. The export of components to manufacturing subsidiaries or *joint venture* companies in a foreign market, where they are assembled and marketed at prices close to those of finished manufactures exported directly from the home country . Some countries allege that this practice constitutes *circumvention.* See also *offshore production.*

SDRs. See *Special Drawing Rights.*

Section 22. A provision of the US Agriculture Act of 1933 requiring the President to limit imports of agricultural products that could undermine or interfere with US farm programs.

Section 201. See *escape clause.*

Section 203. A provision of the US *Trade Act of* 1974 providing authority to the President to negotiate *Orderly Marketing Agreements (Sec. I)* with foreign governments. OMAs are ~ to be limited initially to a period of five years, and import relief must be phased down after three years unless the President determines that doing so would damage national interests. If such a determination is made, import relief may be extended for an additional three years. Products covered by contractually binding OMAs are listed in a separate appendix of the Tariff Schedules of the United States.

Section 204. A provision of the US Agricultural Act of 1956 authorizing the President to negotiate bilateral agreements to limit exports to the United States of "any agricultural commodity or product manufactured there from or textiles or textile products." US participation in the *Multifiber Arrangement* is based on Section 204 authority.

Section 232. A provision of the US *Trade Act of* 1962 authorizing the President to restrict imports that threaten to impair US national security .On the basis of a formal investigation and report by the Department of Commerce --required within 270 days of initiation --the President must decide within 90 days what action should be taken to prevent national security impairment.

Section 301. Section 301 of the Trade Act of 1974 is the principal U.S. statute for addressing foreign unfair practices affecting U.S. exports of goods or services. Section 301 may be used to enforce U.S. rights under international trade agreements (such as the WTO Agreements) and may also be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices that burden or restrict U.S. commerce. Retaliation can take the form of suspending the benefits of trade concessions previously granted by the United States, or restrictions or fees on the trade of the offending nation. In addition to initiating Section 301 investigations based upon petitions by private parties, USTR also may initiate such investigations at its own discretion. However, the WTO requires Members to initiate consultations under the WTO *dispute settlement* mechanism when they seek to remedy a violation of WTO Agreements (when no WTO Agreement is in violation, USTR may use Section 301 to remedy the trade violation). No Member may issue a "determination" that another government has violated a WTO obligation unless a WTO *panel* has first reached the conclusion. See *Special* 301 and *Super* 301; see also discussion under *retaliation*.

Section 332. A provision of the US *Tariff Act of* 1930 authorizing self-initiated or Presidential-directed studies of domestic industries by the US International Trade Commission. Such studies may subsequently lead to investigations of foreign dumping or subsidization, or *Section* 301 cases.

Section 337. A provision of the US *Tariff Act of* 1930 making it unlawful to engage in unfair acts or unfair methods of competition when importing or selling imported goods. Most Section 337 cases involve alleged violations of US patents, copyrights, or trademarks. See also *Special* 301.

Section 406. A provision of the US *Trade Act of* 1974 giving the President authority to restrict imports of products from nonmarket-economy countries when the US International Trade Commission determines such imports cause or threaten *market --.disruption.*

Section 501. A provision of the US *Trade Act of* 1974 providing for duty-free entry of merchandise imported from beneficiary developing countries under the *Generalized ~ System of Preferences* or *GSP.* Section 501 specifically excludes some countries --as well as certain products regardless of origin --from asp eligibility .Criteria are provided for withdrawing or suspending eligibility for asp treatment.

Second-best argument (for protection). Any argument for protection that can be countered by pointing to a less costly policy that would achieve the same desired result. Also refers to rationales for protection to partially correct a distortion in the economy when the first-best policy for that purpose is not available. For example, if domestic production generates a positive externality and a production subsidy to internalize it is not available, then a tariff may be second-best optimal.

Sectoral Reciprocity. The objective of equalizing levels of protection applying to international trade in a particular class of products through trade negotiations conducted on a sector-by-sector basis. Sectoral reciprocity contrasts with the customary, across-the- board approach to negotiations aimed at achieving mutually beneficial agreements comprising concessions in one sector exchanged for gains in another. See also *selective reciprocity* and *zero1or-zero.*

Selective Reciprocity. (Also known as "contingent reciprocity.") The provision of market access to particular trading partners in particular industries, linked to the granting of comparable access to foreign markets. Examples include the GATT *Civil Aircraft Code*, *Government Procurement Code,* and *Subsidies Code,* in each of which reciprocity is accorded only to other signatories of the Code. In contrast, GATT is based on the premise that members will grant comparable access across a broad range of goods and trading partners (sometimes called "broad-based" or "diffuse reciprocity.") Proponents argue that most major trade policy problems facing the industrial countries concern disputes in specific industries with specific trading partners, where current international trade rules are seen to be either inapplicable or unenforceable. Critics charge that selective reciprocity risks undermining incentives for multilateral trade-liberalizing efforts based on broad-based reciprocity via *MFN treatment.*

Selectivity. The application of *safeguards* in such a way as to restrict imports from a particular country or group of countries, in contrast with non-discriminatory actions taken according to the *most-favored-nation* principle. Proponents of selectivity argue that the disruptive effects of safeguards should be minimized by applying restrictions only to exporting countries that are the source of disruption; opponents argue that selective safeguards effectively penalize "efficient but law-abiding" foreign producers.

Semiconductor Agreement. A bilateral agreement concluded in 1986 between the United States and Japan to open the Japanese market to US integrated circuits and semiconductor devices, and to deter the *dumping* of Japanese semiconductors in the US market.

Sensitive Products. Goods produced by a domestic industry employing large numbers of workers, for which the costs of production are such that any reduction in import protection would render the industry vulnerable to *injury.* Products deemed sensitive are most likely to be excepted from tariff reduction formulas in trade negotiations --or subjected to *export restraints* --since changes in the competitive position of such industries could cause major economic and social dislocations in the importing country.

Serious Injury. See *injury.*

Services. Non-manufacturing industries or business activities. Key service industries include accounting and management consulting, advising, banking and financial services, insurance, legal services, architecture, construction and engineering, data processing and software, telecommunications and information services, lodging and tourism, wholesale and retail trade, leasing, franchising, shipping and transportation, education and training services, health care, and environmental services. In GATT negotiations, the motion picture industry is also treated as pan of the services sector. As economies mature (see *structural change),* services tend to assume a more prominent role in the economy, 3 posing challenges for international trade policies that have traditionally focused on trade in goods.

Service Mark. A distinctive mark used in the sale or advising of services to distinguish them from the services of others. See also *trademark*.

Service Supply License. A validated export license issued by the US government to a US or foreign firm authorizing the export of spare and replacement pans to controlled purchasers abroad who originally purchased US equipment under license. See *export controls.*

Seven-Plus-Seven. An informal meeting of GATT delegations from industrial and developing countries (originally seven of each) convened by the Director-General to clarify positions or resolve procedural issues. Sometimes as many as 17 delegations may be invited, with care taken to ensure representation of countries with strongly held views on an issue. See also *Green Room consultations.*

Shakeout. A condition that may occur as a result of *innovation* or technological change in a competitive industry. Because the introduction of new processes or techniques will improve productivity, more overall industry output becomes possible, driving down the price level. However, only firms employing the new technology can sell at the lower prices without incurring losses; others are "shaken out." Eventually, a new equilibrium for the industry will be reached, but --because of the greater efficiency of the new technology --the number of firms remaining in the industry is likely to be smaller. In the ", case of an industry shakeout on an international scale, governments are likely to take measures to ensure that "their" firms are among the survivors (see *national champions).*

Shallow integration. Reduction or elimination of border barriers to trade. Contrasts with *Deep Integration*.

Sherman Act. Legislation enacted in 1890 making illegal all contracts, combinations, and conspiracies in restraint of trade, as well as monopolies and attempts to monopolize. See *competition policy.*

Sherpa. An official of sub-cabinet rank from each of the major industrial countries responsible for coordinating his or her government's preparatory work for the annual G-7 *Economic Summit.*

Short-Term Capital Transactions. An element of a country's *balance of payments* that reflects loans granted to or received from foreigners with a maturity of one year or less.

SIC (Standard Industrial Classification). The basic system used by the US Commerce Department to categorize similar economic activities as distinct industries. Based on the SIC, the Census Bureau has organized a system of seven-digit industry codes, each successive digit of which reflect a progressively narrower degree of classification. Twenty two-digit groups (SIC numbers 20 through 39) constitute the manufacturing sector. Analyses of US production and national accounts usually involve SIC-based data; a rearrangement of US import and export data into an approximation of the SIC format has been developed by the Census Bureau (see *TSUSA).*

Single-Column Tariff. A tariff schedule specifying only one rate of duty for each imported commodity.

Single Undertaking. See *free riders.*

SITC (Standard International Trade Classification). The classification system used by the United Nations for compiling and publishing international trade data. Although countries employ a variety of data collection systems for their own purposes (see, for example, *TSUSA),* UN members are requested to use the current version of the SITC in reporting their import and export data to the UN Statistical Office. The original SITC was adopted by the UN Economic and Social Council in 1950. The SITC, Revised was established in 1960 in an effort to reconcile trade data compiled by many countries on a commodity basis with the *Brussels Tariff Nomenclature,* which classified goods according to the material of which they were made; a second effort along these lines, SITC Revision 2, was established in 1975. SITC Revision 3, introduced in 1986, currently provides 3,118 basic product headings organized in a system of five-digit classification codes, and is aligned with the *H harmonized System* of customs classification. Analyses of international trade patterns almost always involve SITC- based data. However, SITC classifications do not concord with *SIC* classifications.

Sluice-Gate Price. See *Common Agricultural Policy.*

Smoot-Hawley Act. Formally known as the Tariff Act of 1930, the Smoot-Hawley tariff is regarded by many scholars as the high-water mark of an extremely protectionist period in US trade policy; all major trading nations were highly protectionist at the time, however. The Act raised tariffs on over 20,000 items to record levels, provoking retaliatory tariff increases by other countries. The cycle of retaliation and counter- retaliation led to a decline in world trade by roughly twothirds, contributing significantly to the spread and deepening of the Great Depression.

Snapback. Provisions in a trade agreement that allow a signatory to temporarily rescind concessions under specified circumstances, such as an *import surge* or unanticipated balance-of-payments disequilibria.

Social Dumping. An unfair trade practice whereby an exporter achieves a cost advantage over its rivals in foreign markets through inadequate labor laws or lack of human rights protection in its home country .A similar concept, referring to inadequate environmental regulations, is refer-ed to as *environmental dumping.* Both have been suggested as topics for future multilateral negotiations following the *Uruguay Round.*

Soft Currency. A national currency that is not freely convertible into other currencies .because of officially set exchange rates or other forms of *exchange controls.*

Soft Loan. A loan repayable by a foreign borrower in a *soft currency.* Soft loans usually result from long-term sales to countries without resources for repayment in hard currencies. Refers to interest-free loans granted to developing countries by the *International Development Association*

South-South Trade. In the parlance of the 1970s and 1980s, refers to trade among developing countries ("the South").

Sovereign Compulsion. A legal doctrine in the United States, according to which antitrust liability may be avoided when concerted action by private companies is taken at the direction of a government agency, such as *price undertakings* or *voluntary restraint agreements.*

Special and Differential Treatment (S&D). Preferential treatment given to industrial countries in a trade agreement, such as providing better access to developed countries' markets, accelerating implementation of tariff cuts on products exported by LDCs, or allowing LDCs longer time periods to phase in trade reforms.

Special 301. A provision of the US *Trade Act of* 1974, as amended by the *Trade Act of* 1988, requiring USTR to identify countries with a history of violating existing laws and agreements dealing with *intellectual property rights.* Countries with the poorest record of IPR protection --and with which negotiations on IPR protection have failed to make adequate progress --must be designated as "priority foreign countries" and are potentially subject to a *Section* 301 investigation on an accelerated timetable. USTR must make such designations each year within 30 days after issuance of the *National Trade Estimate* report . In addition, USTR has established a "watch list" and "priority watch list" under Special 301, indicating countries in which there exist particular problems with respect to IPR protection, or problems of market access for exporters relying on intellectual property. Countries placed on the "priority watch list" are the focus of increased bilateral discussions concerning the problem areas.

Special Drawing Rights (SDRs). A composite unit of value for international transactions, the value of which is determined daily by the International Monetary Fund on the basis of a weighted "currency basket." In the derivation of the SDR value, the currencies of the basket are valued at their market exchange rates for the US dollar and are summed to yield the rate of the SDR in terms of the US dollar. Since 1991, the SDR valuation basket has consisted of the US dollar (40 percent), German mark (21 percent), Japanese yen (17 percent), French franc (11 percent), and British pound (11 percent). Some international trade agreements, such as the GATT *Government Procurement Code,* use SDRs to designate nominal amounts that are less susceptible to distotion via fluctuations in the exchange value of a single currency.

Special Safeguard. In the WTO Agreement on Agriculture, a protectionist measure that can be triggered automatically by a decline in prices or an increase in imports.

Special Economic Zone. See *export processing lone. Specific Duty. See duty.*

Specialization Agreement. A *restraint of trade* arrangement among rival firms .stipulating that each will sell only certain products, thereby assuring each participant a dominant market position for the specified products.

Specific commitment. Under the GATS, technical term describing the commitments made by WTO members on national treatment and market access for service sectors.

Specific Limitations on Trade. Measures that limit imports or exports of a product during a specified period to a specific volume or value, or that require specific authorization for each import or export transaction. See *import quota, quantitative restrictions, exchange controls, licensing, quantitative restrictions, residual restrictions, tariff quota, boycott,* and *embargo.*

Specific tariff. A specific duty (tariff, import tax) expressed in terms of a fixed amount per unit of the dutiable item. For example, $1,000 on each imported vehicle or $50 on each ton of wheat.

Specificity. A policy measure that applies to one or a subset of enterprises or industries as opposed to all industries.

Standards. Rule, regulation or procedure specifying characteristics that must be met by a product (such as dimensions, quality, performance, or safety). When these put foreign producers at a disadvantage, they may constitute a nontariff barrier. See also *Technical Barriers to Trade.*

Standards Code. Formally known as the Agreement on Technical Barriers to Trade. A *GATT Code* negotiated during the *Tokyo Round* to prevent technical requirements -- including product standards and testing and certification procedures --from functioning as impediments to trade unless they are necessary for advancing a "legitimate domestic objective" such as health, safety, or environmental protection. The Code does not attempt to formulate standards themselves, nor to set up specific testing and certification systems. Signatories include Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Czech Republic, Denmark, Egypt, the European Community, Finland, France, Gern'1any, Greece, Hong Kong, Hungary, India, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Portugal, Romania, Rwanda, Singapore, Slovakia, Spain, Sweden, Switzerland, Tunisia, the United Kingdom, and the United States.

Standard Industrial Classification. See *SIC.*

Standard International Trade Classification. See *SITC.*

Standardized Product. A product marketed internationally without significant changes in its composition or characteristics from one country to another. Product standardization can be a factor in achieving *economies of scale.*

Standards-Related Activity. An activity undertaken in conjunction with administration or enforcement of *technical barriers to trade,* including testing and certification of imports for conformity with officially-mandated product standards.

Standing Committees. See *GATT Standing Committees.*

Standstill. A commitment undertaken at the outset of a GATT negotiation to refrain .from legislating or implementing new trade-restricting or distorting actions inconsistent with GATT rules or principles, or actions that would improve a participant's negotiating position.

State Trading Enterprises (STE). Entities established by governments to import, export, or produce certain products. State trading does not necessarily involve a monopoly or quantitative restriction of trade and does not require state ownership (GATT Art. XVII). GATT Article 17 requires members to operate such entities on the basis of commercial considerations.

State Trading Nations. Countries that rely on government entities instead of private corporations to conduct their trade with other countries. See *nonmarket-economy country.*

Stockholm Convention. See *European Free Trade Association*. Strategic Trade Policy. See *strategic trade policy argument*.

Strategic Stockpile. A store or critical metals or other industrial commodities maintained by a government as a buffer against supply disruptions in times of war or national emergency.

Strategic Trade Policy. A broad term for approaches joining conventional trade theory with industrial organization theory, in order to analyze trade in products for which producing firms are pan of oligopolistic industries in their home markets, and in which strategic interactions among firms and governments occur. See also *managed trade* and *industrial policy.*

Structural Adjustment Lending. A program of lending by the *World Bank* designed to help developing countries deal with balance-of-payments problems resulting from internal economic patterns that are susceptible to correction. The program provides hard-currency loans conditional upon agreement by the beneficiary country to undertake specified corrective measures, which may include elimination of protective tariffs that have sheltered inefficient domestic industries, as well as improvements in budgeting and management of public debt and shifts in public investment priorities.

Structural Adjustment Policies. Measures --such as worker re-training and placement, capital formation, and R&D support --intended to facilitate the adjustment of factors of production to "structural" economic forces such as increased international competition. See *adjustment assistance* and *structural change,"* see also *industrial policy"*

Structural Change. Changes in the relative importance of different sectors of an economy over time, usually measured in terms of their share of output, employment, or total spending. (Since the industrial revolution, structural change in most countries has involved shifts from subsistence agriculture to commercial agriculture, an increase in the relative significance of manufacturing, and, at a later stage, a further shift toward service industries.) In its broadest sense, the term refers to shifts in an economy's sectoral composition --driven by changes in technology, for example --that are more fundamental than temporary changes due to business-cycle and exchange-rate fluctuations. Along with realignments in the relative economic importance of different industries, structural change can also involve shifts between regions of large national economies, and changes in the composition of a country's imports and exports. See also *deindustrialization* and *services.*

Structural Impediments Initiative (SII). A series of bilateral negotiations begun in 1989 by the United States and Japan to identify and attempt to reduce "structural" impediments to trade between the two countries.

Subsidies Code. Formally known as the Agreement on the Interpretation and Application of Articles VI, XVI, and XXIII of the GATT. A *Tokyo Round* agreement designed to strengthen GATT rules relating to *export subsidies* and *countervailing duties,* and to reduce the distortive effects of subsidies on world trade (see *GA1T Codes).* The Code prohibits industrial-country signatories from using export subsidies for t manufactured and semi-manufactured goods, and attempts to regulate signatories' use of domestic subsidies that have adverse effects on the economies of trading partners. In addition, signatory countries are required to provide details of their countervailing duty legislation, and of actions taken pursuant to that legislation, to the GATT Committee on Subsidies and Countervailing Measures. Signatories include Australia, Austria, Brazil, Canada, Chile, Colombia, Egypt, the European Community, Finland, Hong Kong, India, Indonesia, Israel, Japan, Korea, New Zealand, Norway, Pakistan, Philippines, Poland, Sweden, Switzerland, Turkey, the United States, and Uruguay.

Subsidy. A payment or economic benefit conferred by a government on a specific industry or enterprise in order to advance an economic objective deemed to be in the public interest. Although escalating use of subsidies may be displacing tariffs as the principal distortion of international trade --as some trade experts assert --there is still no precise definition of the ten "subsidy" in the GATT; see *domestic subsidy* and *export subsidy.*

Substantial Supplier. An exporting country accounting for at least 10 percent of a country's imports of a given product. In GA n tariff negotiations, countries with substantial supplier status may take precedence over all other countries except *principal & suppliers* and countries holding *initial negotiating rights* in claiming compensation for a change in a bound tariff.

Sunrise vs. Sunset Industries. The term "sunrise" refers to industries with the greatest potential for growth and international competitiveness, often associated with *high technology.* In contrast, the term "sunset" is often applied to mature or basic industries such as steel, automobiles, glass, rubber, and textiles. No precise delineation of the two categories exists. Moreover, there is no reason why an industry (or segments thereof) might not move from one category to another over time.

Sunset clause. Provision in a legal instrument limiting the duration of validity of a particular measure or policy.

Super 301. Super 301 no longer exists under US trade law. Under this amendment to the US *Trade Act of* 1988, the US Trade Representative was required in 1989 and 1990 to designate "priority foreign countries" chosen for the number and pervasiveness of their policies or practices impeding US exports, and for the US export gains that might come from removal of those practices. The law called for *retaliation* if foreign action was insufficient or not forthcoming. See *Section* 301.

Superdeductive. A *customs valuation* procedure (also known as the "further processing method") that permits a deduction from the value of imported merchandise to allow for further processing to be undertaken in the importing country prior to final sale. Under US Customs regulations, the super deductive can be applied to goods sold between 90 and 180 days of importation, but may not be applied if the processing destroys the identity of the product as imported. See also *deductive value.*

Supplementary Levy. An additional duty that may be imposed under the European Community's *Common Agricultural Policy* on imports of pork, poultry, or eggs when the purchase price falls below the established *gate price.* See also *variable levy.*

Supplier Credits. See *export credits.*

Supply Access. Assurances that importing countries will have fair and equitable access at reasonable prices to supplies of raw materials and other essential imports. Pursuit of supply access commitments usually includes seeking explicit constraints on the use of *export restrictions* as instruments of foreign policy. US efforts to negotiate supply access commitments, such as during the 1973-79 *Tokyo Round,* have generally not met with success.

Surcharge. See *Import Surcharge.*

Surveillance. The monitoring of trade practices to help ensure that governments fulfill their obligations under trade agreements. See *Surveillance Body* and *Trade Policy Review Mechanism.*

Surveillance Body. A body created at the outset of the *Uruguay Round* to monitor participating countries' trade practices and implementation of their *standstill* and *rollback commitments.*

Suspension. See *duty suspension.*

Suspension Agreement. A legal agreement between an exporting firm and the government of an importing country restraining the volume of exports to avoid injury to producers of similar goods in the importing country .Suspension agreements are designed to forestall imposition of *antidumping duties* or *countervailing duties;* under US law, countervailing or antidumping proceedings may be suspended when the exporters involved agree to change offending practices, offset subsidies, raise prices, or cease shipments. See also *price undertaking.*

Swap Schemes. See *Countertrade.*

Swing. In international textile agreements, refers to the shift of allowable imports from a filled quota to an under-filled quota. Swing provisions usually permit 5 to 10 percent of specified quota levels to be shifted to another product heading.

Switch Trading. See *Countertrade.*

Target Price. See *Common Agricultural Policy.*

Targeting. See *industrial targeting.*

Tariff. A tax or duty levied upon goods imported into a country or customs area. (The term also refers to a list or "schedule" of articles of merchandise, specifying the rate of duty to be paid to the government of the importing country.) A "protective tariff' is one which is designed to discourage foreign import competition; a "revenue tariff' is primarily intended to raise money for the government of the importing country .Tariffs increase prices paid by domestic purchasers while reducing the total amount imported; domestic producers of the product and the importing country's government gain, but not by as much as domestic purchasers lose (see *deadweight loss, Sec. II).* See also *export duty.*

Tariff Act of 1930. See *Smoot-Hawley Act.*

Tariff Anomaly. A situation in which the tariff on raw materials or semi-manufactured goods is higher than the tariff on the finished product. The opposite of *tariff escalation.*

Tariff Binding. In GATT context, commitment by countries not to raise particular tariff items above a specific or bound level. Also referred to as ceiling bindings. The so-called schedule of tariff concessions of each WTO member is annexed to its Protocol of Accession. See *binding* and *ceiling binding.*

Tariff Equivalent. Measure of the protective effect of an *non-tariff barrier* (NTB)—the *tariff* that would have the exact same effect on imports as the NTB.

Tariff Escalation. The application of tariff rates on raw materials that are lower than on processed versions of the same or derivative products. Exporters of primary commodities argue that tariff escalation in importing countries impedes their efforts to move "upstream" to higher-value-added processing and manufacturing activities.

Tariff Peaks. Tariffs that are particularly high, often defined as rates that exceed the average nominal tariff by a factor of more than three. See *harmonization.*

Tariff Quota. See *Tariff Rate Quota (TRQ).*

Tariff Rate Quota (TRQ). A two-stage tariff, providing a base tariff rate that applies to goods up to a specified quantity imported during a certain period --usually a calendar year --and a higher tariff rate that "kicks in " once the quota threshold is reached. Because tariff quotas focus their protective effects on import surges, they tend to provide selective protection against highly competitive suppliers. Alternative term for *tariff quota.*

Tariff Schedule. A comprehensive list of the goods, which a country imports, and the import duties applicable to each product. See *tariff.*

Tariff Schedules of the United States, Annotated. See *TSUSA*. *Technological Trajectories. See innovation systems*

Tariff Surcharge. See *import surcharge.*

Tariffication. Conversion of a *quota* or other *nontariff barrier (NTB)* to a tariff providing an equivalent amount of protection to domestic producers of the product in question. In principle, conversion of NTBs to a tariff basis enhances *transparency*, minimizes economic distortions, and facilitates future negotiations aimed at reducing levels of protection.

Technical Barriers to Trade (also referred to as Standards). Government-established specifications of product characteristics --such as levels of quality or purity, performance, safety, environmental impact, or physical dimensions --that must be met in order to receive permission to import the product. The specifications may cover testing and test methods, terminology, symbols, packaging, marking, or labeling requirements. Standards normally reflect policy criteria not purposely established to impede imports, but some standards systems clearly function as disguised trade barriers. See *Standards. Code* and *sanitary and phytosanitary measures.*

Technical Regulation. A mandatory requirement or standard specifying the characteristics that an imported product must meet. Usually aimed to protect public health or safety. See *Technical Barrier to Trade*.

Technology. A method for convening resources into goods and services.

Technology Driver. A product with a relatively simple design which a manufacturer may produce in high volume in order to hone its skills and then transfer this experience to more complicated but higher-value-added devices. See *learning curve.* Arguments for import protection or export promotion sometimes are based on assertions that the product in question is (or may become) a technology driver, and so warrants special treatment as part of national *technology policy* .

Technology Policy. Government measures or programs to promote *innovation* and adoption of new technologies in key industries. Such tools include government sponsorship of research consortia, support for research and development (R&D), trade measures, and special *antitrust* exemptions for joint R&D efforts among firms. See also *industrial policy*.

Technology Transfer. The diffusion of practical knowledge from one enterprise, institution or country to another. Technology may be transferred by giving it away (e.g., through technical journals or conferences); by theft (e.g., industrial espionage); or by commercial transactions (e.g., patents for industrial processes) as well as through cross-national exchanges among components of multinational enterprises. The transfer of technology may be accompanied by transfer of legal rights to use of the technology, such as sale of licensing of associated *intellectual property rights*. Both *UNCTAD* and *OECD* have been active in discussing regulation of international technology transfers.

Temporary Admission. Customs regime under which firms may import intermediates duty free if use in export production, and are required to document ex post that imports have been used for this purpose. See also *Duty Drawback*.

Terms of Trade. The volume of exports that can be traded for a given volume of imports; changes in the terms of trade are measured by changes in the ratio of export prices to import prices. The terms of trade determine a country's share of the "larger pie " generated by trade based on in emotional specialization and *comparative advantage.* An improvement in the terms of trade can be interpreted as an increase in the country's international *competitiveness* in the broadest sense --that is, its people are becoming better off as a result of their transactions with the rest of the world. In contrast, a country that expands its foreign market share by selling its exports at cut-rate prices may experience declining terms of trade, in which case it is not genuinely "competitive."

Territorial Restrictions. See *vertical restraints.*

Textiles. Historically, one of t e most politically sensitive and contentious sectors of international trade. As define in the *Multifiber Arrangement,* textiles encompass "yarns, piece goods, made-up articles, garments, and other textile manufactured products (being products that derive the r chief characteristics from their textile components) of cotton, wool, man-made fibers or blends thereof, in which any or all of those fibers in combination represent either e chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product." Within the textiles sector, apparel products often utilize more unskilled labor and less expensive capital equipment than in other manufacturing industries; as a result, they often are among the first manufactured goods to be produced in a developing country. Nearly all-industrial countries also have large, politically significant textile industries, and these are vulnerable to import competition n from low-wage countries, setting the stage for international trade friction. More recently, textiles have come to include an increasing range of goods that require mo e capital-intensive production processes, especially some of the more sophisticated man-made fibers and complex knit cloths.

Third World. See *developing countries.* The term originated during the Cold War, when it was applied to countries that belonged neither to the Western industrialized countries (the "First World") nor to the Communist bloc (the "Second World").

Threshold Price. See *Common Agricultural Policy.*

Threshold Value. The monetary value of contracts above which government entities are covered by the *Government*

Procurement Code.

Tie-In Contract. See *tying co tract.*

Tied Aid. Foreign assistance that is linked to procurement of goods and services from the donor country.

Tied Loan. A loan made by a government agency that requires a foreign borrower to spend the proceeds in the lender's country.

TIR Convention. An international agreement designed to facilitate international cargo movements across third countries en route to a final destination. Originally established in 1949 as a means of facilitating West European road transportation ("TIR" is a French acronym for Transports Internationaux Routiers, or internationallong-haul trucking), the convention now applies to other countries and other modes of transport as well.

Tokyo Declaration. The statement signed in September 1973 in Tokyo by ministers representing 105 countries, 4 initiating the *Tokyo Round* of trade negotiations.

Tokyo Round. The seventh *GATT Round* of multilateral trade negotiations, held from September 1973 to April 1979 with 99 countries participating. The Tokyo Round achieved substantial tariff cuts covering $300 billion of trade, and reduced the industrial countries' average tariff on manufactured goods from 7 percent to 4.7 percent. For the first time, the Round also focused on *nontariff measures*, and a series of agreements regulating their use, called *GAIT Codes*, were negotiated. In addition, the *Framework Agreement* reforming certain aspects of the GATT system was adopted. Through the various codes and agreements, the Tokyo Round completed a major overhaul of the global trading system; however, the Round did not settle controversial issues of international trade policy so much as it provided ground rules and a mechanism for resolving such issues. The Round derived its name from the site of the ministerial meeting at which it was launched, but negotiations took place in Geneva.

Torquay Round. The third *GAIT Round* of multilateral trade negotiations, held at Torquay, England, from September 1950 to Apri1195l. The Round dealt with institutional matters and the accession of new members, but did not make significant progress in reducing tariffs.

Total factor productivity (TFP): A measure of the output of an industry or economy relative to its inputs. The term and its acronym often refers to the growth of this measure.

TPM. See *trigger price mechanism.*

Track I. Designation for consolidated negotiating activities in the final phase of the *Uruguay Round* concerning market access in goods.

Track II. Designation for consolidated negotiating activities in the final phase of the *Uruguay Round* concerning market access in services.

Track III. Designation for legal drafting sessions in the final phase of the *Uruguay Round.*

Track IV. Designation for efforts by the GATT Director General to refine the Draft Final Act (see *Dunkel Draft)* in the final phase of the *Uruguay Round.*

Trade Act of 1934 (Reciprocal Trade Agreements Act, or RTA). US Legislation that provided authority for the President to enter into bilateral agreements for reciprocal tariff reductions. The RT A was enacted in the midst of the Great Depression, and reflected declining public sympathy with protectionism in the wake of the *SmooI-Hawley Act.* By 1939, the United States had concluded 21 trade agreements with other countries under the RTA, and another 11 agreements were reached during the course of World War II.3 Through successive extensions and amendments, the RTA also authorized US participation in the first five *GATT Rounds* of multilateral trade negotiations. It was eventually superseded by the *Trade Act of* 1962.

Trade Act of 1962 (Trade Expansion Act). US Legislation granting the President authority ~ to participate in multilateral trade negotiations subsequently known as the *Kennedy Round,* while also amending US *escape clause* procedures and establishing the Trade Adjustment Assistance (T AA) program. The Act also authorized appointment by the President of a Special Representative for Trade Negotiations.

Trade Act of 1974 (Trade Reform Act). US Legislation granting the President authority to participate in the *Tokyo Round (Sec. I)* and negotiate international agreements to reduce tariffs and nontariff barriers. The Act, enacted in January 1975, also amended US law governing the *escape clause,* antidumping duties, and countervailing duties; expanded trade *adjustment assistance;* established guidelines for granting MFN trade status to East Bloc countries; and granted limited trade preferences to developing countries (see *GSP*).

Trade Act of 1979 (Trade Agreements Act). US Legislation adopted under *fast-track procedures* ratifying and implementing the international trade agreements negotiated during the *Tokyo Round* and making US law consistent with those agreements. (The agreements negotiated during the Tokyo Round were not self-executing and, accordingly, did not have independent effect under US law. The Act thus incorporated into US law the Tokyo Round agreements on countervailing and antidumping duties, customs valuation, government procurement, product standards, civil aircraft, meat and dairy products, and liquor duties.) The Act also extended the President's authority to negotiate agreements covering nontariff barriers, and mandated reorganization of executive branch trade functions. The Act became effective on 19 June 1979.

Trade Act of 1988 (Omnibus Trade and Competitiveness Act). The first comprehensive ("omnibus") trade legislation enacted by the US Congress in the postwar era. Its important features included strengthening of unilateral trade retaliation instruments (see *Section* 301); provision *of fast-track* negotiating authority for US participation in the *Uruguay Round;* and enhancement of the authority of the US Trade Representative.

Trade and Tariff Act of 1984. US Legislation that extended the President's authority to grant trade preferences; authorized negotiation of bilateral free *trade agreements;* and provided authority to enforce export restraint agreements on steel. The Act also amended the countervailing duty and antidumping laws and clarified conditions under which unfair trade cases could be pursued under *Section* 301.

Trade Balance. The surplus deficit that results from subtracting a country's imports from its exports during a give in period (see *current account).* Despite widespread misunderstanding --and the lingering political influence of *mercantilism* --in many countries, a trade surplus or deficit is not inherently good or bad for a country, since different situations may be involved:

A trade surplus is the no al condition for a "mature creditor country" that provides investment capital to less developed countries. This was for many years the position of the United States, which ran persistent trade surpluses up to the early 1970s.

However, an "unhealthy" de surplus may occur when the country is in a severe economic slump or recession n while other countries are booming (hence, exports will be strong, while imports' weak).

A trade deficit can occur hen a dynamic, growing country is building its capital base, with inflows of foreign capital attracted by strong investment prospects in the country .This capital account surplus must be offset by a current account deficit; in such a case, a trade deficit is a consequence of an essentially healthy economic situation.

A deficit can, however, be "unhealthy" if it reflects a savings shortfall and borrowing from foreigners to finance current spending rather than investment.

Trade Barrier. Any governmentally-imposed constraint upon the international exchange of goods or services. Such constraints can take the form of *tariffs, quotas, exchange controls,* or *nontariff barriers.* Trade barriers usually are applied in order to meet an economic objective such as protecting domestic industries, reducing unemployment, or preserving foreign exchange, although they may also arise from political disputes among countries or in retaliation for barriers maintained by trading partners.

Trade Bloc. A general term referring to regional arrangements among countries that have established formal mechanisms for cooperation on trade issues. The term does not necessarily imply a protectionist stance with respect to nonmember countries, although it is sometimes used in this way. No widely accepted definition of "trade bloc" exists, but it is commonly understood to include six types of arrangements. In descending order of political-economic integration, these categories are: *economic union, common market, customs union, free trade area, preferential arrangement,* and *regional cooperation organization.*

Trade Capacity. The supply-side ability (capacity) of a country to benefit from the opportunities offered by the world market and MFN or preferential access to markets.

Trade Creation. International trade flows that are generated in response to formation of a *customs union* or *free trade area* as member countries reallocate resources more efficiently, achieving greater economic growth and consequently trading more with the outside world. Formation of such blocs can benefit nonmember countries if trade creation exceeds *trade diversion.*

Trade Diversion. A switch in sourcing of imports that results from a country's joining a *customs union* or *free trade area,* in favor of bloc partners and at the expense of nonmember trading partners.

Trade Integration. Process of reducing barriers to trade and increasing participation in the international economy through trade. Also used to describe efforts to integrate trade policy and strengthening of trade-related institutions into a country's overall development strategy.

Trade and Investment Framework Agreement (TIFA). See *Framework Agreement.*

Trade Negotiations Committee (TNC). The body consisting of all countries participating in a *GAIT Round,* with responsibility for exercising overall supervision over the negotiations and for establishing appropriate plans and negotiating procedures. In the *Uruguay Round,* the TNC is chaired by the foreign minister of Uruguay when .meeting at the ministerial level; otherwise, it is chaired by the GA TT Director-General.

Trade Opportunities Program. An export promotion service of the US Department of Commerce.

Trade Policy Review Mechanism (TPRM). A process of examination in the *GATT Council* to provide information on and discuss the trade policy regimes of individual Contracting Parties. Established during the *Uruguay Round* on a provisional basis, the goal of the TPRM process is to induce compliance with GATT rules rather than to punish wrongdoers. Thineen country reviews were conducted under the TPRM during 1992. The TPRM is expected to be placed on a permanent basis following conclusion of the Uruguay Round and the pace of examinations increased so that all GATT members' trade regimes can be reviewed at least every six years, with larger countries' regimes reviewed at more frequent intervals.

Trade Promotion Authority (TPA). *See Fast Track*

Trade Secret. A form of *industrial property.* Refers to a non-patented process, mechanism, or formula, known only to its owner, that is used in producing something of commercial value.

Trading Company. See *export trading company. Transfer Pricing. See arm's length pricing.* TSUSA (Tariff Schedules of the United States, Annotated). The classification system in which US import data are recorded according to 10,500 seven-digit product categories. .The TSUSA is the legal basis for US Customs duty calculations. Schedule A is a rearrangement of TSUSA import data in a form closely resembling the *SITC* international data format developed by the United Nations. *Schedule B* is the export equivalent of the TSUSA, and Schedule E is the rearrangement of Schedule B data conforming to the *of* SITC format. The End-Use classification system, developed by the Commerce Department's Bureau of Economic Analysis, rearranges TSUSA and Schedule B data into categories associated with the principal uses of the traded goods. Finally, the SIC-Based Trade Data classification system, developed by the Census Bureau, transforms original TSUSA and Schedule B data into an approximation of the *SIC* format.

Trade-Related Aspects of Intellectual Property Protection (TRIPs). Designation for a Uruguay Round negotiating group considering new GATT rules to promote effective protection of *intellectual property rights* and to ensure that such protection is not implemented in ways that obstruct trade.

Trade-Related Investment Measures (TRIMs). Designation for a Uruguay Round "' negotiating group examining the adequacy of current GATT rules with respect to investment measures that restrict or distort trade --such as *local content* and export *performance requirements* --and negotiating new rules to limit their adverse trade effects.

Trade-Related Technical Assistance. Services financed and/or provided by donors and development agencies to strengthen trade-related institutions and build *trade capacity* in developing countries. See also *Integrated Framework*.

Trade War. An "unwinding" of the liberalization process, in which countries impose trade restrictions for punitive purposes and others retaliate in kind.

Trademark. A name or symbol used by a manufacturer or merchant to distinguish goods from those made or sold by others. See *intellectual property rights.*

Trading With the Enemy Act. US Legislation originally enacted in 1917, and amended in 1941, granting the President authority to prohibit or regulate trade, investments, remittances, travel, or any other economic transaction with any designated country or its nationals during times of war or national emergency.

Transaction Value. The cornerstone of the GATT *Customs Valuation Code,* which obligates signatory governments to use transaction value, or the price actually paid or payable for goods when sold for export (subject to certain adjustments for costs or charges not reflected in the price), as the principal basis for valuing goods for customs purposes. In cases where the transaction value cannot be used --for example, shipments between corporate affiliates or related entities --the primary alternative method is the transaction value of identical merchandise shipped from the same country of origin; a secondary alternative is the transaction value of similar goods sold from the country of origin. If none of the foregoing methods can be used, the *deductive value* or the *computed value* may be employed.

Transition. A term referring to the period of time during which provisions of a trade agreement will be implemented (including, in some cases, phasing out existing trade restrictions) by signatories Transit Zone. A port of entry in a coastal country that is established as a storage and distribution center for a neighboring country lacking adequate port facilities or access to, the sea. Goods in transit to and from the neighboring country are exempt from customs duties, import controls, and many of the entry and exit formalities of the host country. A transit zone is a more limited type of facility than *a free trade zone.*

Transitional Protection. See *pipeline protection.*

Transshipment. Shipping goods through one country to another country in order to conceal the true country of origin. Transshipment may occur for *circumvention* purposes or to take advantage of preferential tariff rates applied to imports from the intermediary country.

Transparency. Openness, clarity, and predictability of a country's trade laws and regulations. Transparency --especially as it connotes freedom from capricious bureaucratic action or manipulation of rules for protectionist purposes --is one of the fundamental tenets of the GATT. *Tariffication* is regarded by many GATT members as a key to promoting transparency.

Treaty of Rome. The agreement, signed in Rome in 1957 by Belgium, France, Germany, Italy, Luxembourg, and the Netherlands, by which the European Economic Community --forerunner to the present *European Community* --was established. The Treaty took effect 1 January 1958.

Trigger Price Mechanism (TPM). Refers to a mechanism for controlling imports of sensitive products by establishing a minimum "fair price" for the imported goods. Under , the TPM established by the United States in 1978 for steel imports, the trigger price (or reference price) was pegged to within 5 percent of the cost of production of the most efficient international steel supplier --Japan --plus 8 percent nominal profit plus transportation costs. Imported steel sold below the reference price would automatically "trigger" an investigation of presumed *dumping.*

TRIMS. See *trade related investment measures.*

TRIPS. See *trade-related aspects of intellectual property protection.*

Tropical Products. Agricultural and other products of export interest to countries in tropical regions of Latin America, Africa, Asia, and Oceania. Examples include coffee, tea, cocoa, bananas, spices, rubber, and tropical timber. Liberalizing trade in these products is a high priority for many developing countries, and was the subject of both a *Tokyo Round* and

Uruguay Round negotiating group.

Turnkey Contract. An arrangement under which a contractor assumes responsibility to a client for constructing productive installations and ensuring that they operate effectively before turning them over to the client. By assuming responsibility for the contributions of all participants in the project, the contractor is often able to arrange more favorable financing terms. The responsibility of the contractor ends when the completed installation is turned over to the client.

Turnover. The rate at which sales occur, usually expressed in relation to the amount of .capital employed in a venture or enterprise.

Tying Contract. (Also known as a tie-in contract or bundling.) A *restraint of trade ~ arrangement by which a product can be purchased only upon agreement to purchase certain other products from the seller. Tying contracts in effect preclude other suppliers from selling the tied product to the purchaser, and are generally proscribed by various*, countries' *antitrust* and *competition policies*.

Unfair Business Practices. See *competitive policies and practices* and *restrictive business practices.* See also discussion under *unfair trade practices*.

Unfair Competition. See *unfair trade practices.*

Unfair Trade Practices. International usage tends to mirror terminology in US legislation, which applies the term to export-related practices that may be subject to *countervailing duties* (i.e., export subsidies by foreign governments) and *antidumping duties* (i.e., dumping by foreign firm), as well as certain anticompetitive practices such as discriminatory shipping arrangements. The term is not normally applied to the range of import-related *nontariff barriers*, even though discriminatory elements may be involved. Determination of "unfairness" is left to administrative proceedings in the ~ importing country, subject to procedural requirements of the relevant *GATT Codes.* See *competitive policies and practices*.

Unilateralism. The implementation of unilateral trade policy measures or sanctions that are not dependent on approval by a multilateral organization; hence, the opposite of *multilateralism.* Other countries sometimes use the term in referring critically to actions by the United States under *Section* 301, *Special* 301 , *Title VII*, and similar legislation.

Universal Copyright Convention (UCC). An international agreement on *intellectual property rights* negotiated under United Nations auspices in 1952, and revised in 1971. UCC member states agree to provide "adequate and effective" copyright protection and to accord *national treatment* to the works of nationals of other UCC signatories. See also *Berne Convention.*

Unrequited Transfer. In *balance of payments* accounting, refers to a transfer of assets from one country to another --for example, foreign aid grants --without expectation of recompense.

Upstream Subsidization. An "indirect export subsidy," whereby a producer benefiting from a government subsidy sells a subsidized product to an unrelated company, which in turn performs further processing and then exports the product.

Uruguay Round. The eighth *GAIT Round*, launched in 1986 with 105 countries participating, and extended in December 1990 after failure to reach agreement by the original target completion date. In the Uruguay Round, efforts have focused on expanding GA TT disciplines to new areas, such as agriculture, intellectual property rights, investment, and services, as well as reducing barriers and strengthening international rules affecting *market access, dispute settlement, safeguards,* and enforcement measures under the GA TT .The Round derives its name from Punta del Este, Uruguay --the site of the Ministerial Meeting at which it was launched --but negotiations take place at GATT headquarters in Geneva.

User Fee. A fee for a service --such as the provision of customs operations by the government of the importing country --assessed on imported goods. GATT Article 8 requires user fees to be assessed on the basis of the estimated or computed cost of the service.

Valuation. See *customs valuation.*

Value added. The value of output minus the value of all inputs used in production. Equals, by definition, the contribution of, and payments to, primary factors of production (labor, capital and land).

Value Added Tax (VAT). An indirect tax, assessed on increments in the value of a product from the raw-material stage through the production process to final sale. At each stage, the tax is levied on the amount by which inputs purchased from the preceding stage have been augmented in value. The final sale price will incorporate all of the V A T payments made along the production chain.

Variable Levy. An import duty that is subject to alteration as world market prices change, designed to ensure that the imported product's price after payment of the duty will be no less that a predetermined *minimum import price.* As applied to imported farm products under the European Community's *Common Agricultural Policy,* the variable levy amounts to the difference between the EC target price for domestic producers and the lowest available prices on world markets. For imports of cattle, beef, and veal, the variable levy is applied in addition to normal customs duties. The amount of EC variable levies are adjusted for changes in world market conditions on a daily basis for sugar and grains; weekly for dairy products, beef, live cattle, veal, and rice; monthly for olive oil; and quarterly for pork, poultry , and eggs. See also *supplementary levy*.

Vertical Integration. The combination within one firm of two or more different stages in the production process of a particular good or service.

Vertical Restraints. Anticompetitive *restraint of trade* arrangements imposed by a firm at one stage in a chain of transactions --usually the seller --on firms at another stage, such as the seller's customers. Such restrictions include prescribing minimum prices at which the customer can resell a purchased product (resale price maintenance); limiting the geographic territory in which the buyer may resell what it has purchased (territorial restrictions); inducing the buyer to deal only in the seller's products (exclusive dealing); and making the availability of one product contingent upon the purchase of other goods or services (tying contracts or bundling). See *antitrust* and *competition policy.*

Voluntary Export Restraints (VERs). Informal agreement between an exporter and an importer, whereby the former agrees to limit exports of a specified good to avoid dislocation of the industry in, and possible imposition of mandatory restrictions by, the importing country. The restraint agreement may be concluded at either industry or government level. In the latter case, sometimes referred to as an orderly marketing arrangement. See the Multifiber Arrangemen and export restraints.

Voluntary Restraint Agreement (VRA). An arrangement by which an exporting country takes steps --usually by means of export quotas --to restrain exports that could cause economic dislocation in a key trading partner. VRAs are generally undertaken to forestall action by the importing country against imports that may injure or threaten the position of domestic firms. A VRA is less contractual in nature than an *orderly marketing agreement,* but with similar economic effects. Under a VRA the importing country does not apply restrictions to enforce the agreement (as under an OMA), nor is compensation involved as may be the case if the importer unilaterally raises tariffs. VRAs are not covered by GA n rules (see *grey-area measures).*

Waiver. A legal exception in GA n whereby a contracting party --with the approval of other GATT members --may maintain a specific practice that would otherwise violate the *MFN* principle or other GATT obligation.

Watch List. See *Specia1301.*

Webb-Pomerene Act. Legislation enacted in 1916 exempting from restrictions on monopolies and other trusts the activities of associations, which have "the sole purpose of engaging in export trade," provided their activities do not interfere with US markets.

Welfare. Welfare is the "enjoyment' that consumers are inferred to gain from their consumption. While welfare cannot be measured directly, economists often use a measure of real income or purchasing power as a way of measuring welfare in money terms.

Working Party. An ad hoc subgroup established by the GATT Council to address a specific trade policy issue, such as a country's application for *accession* to GA n or a dispute between two members. Unlike a *GATT panel,* members of a working party function as representatives of their governments.

Working Requirement. A term associated with the lapse of *intellectual property* protection --or the granting of *compulsory licenses* --if a patented invention, trademarked good, or copyrighted work is not produced or sold within a specified period of time.

World Economic Conference of 1927. The first attempt to negotiate a cooperative multilateral approach to problems facing the world trading system. Along with its subsidiary Conference on Import and Export Prohibitions and Restrictions, the Conference sought to counter the trend toward increased protectionism that had begun in Europe in the l870s and that by the 1920s was intensifying in all major countries. A code negotiated at the Conference regulating use of *quantitative restrictions* and other trade barriers fell short of necessary ratification by one country , while a tariff truce agreed at the Conference was effectively ended upon adoption of the *Smoot-Hawley Act* by the United States in 1930. Although unsuccessful, the Conference served ultimately as a progenitor of the GATT .

World Economic Conference of 1933. The second multilateral effort to deal with the global economic crisis of the interwar period, the Conference focused on European efforts to secure an international currency stabilization plan. Following collapse of the Conference, nations engaged in a period of competitive currency *devaluations* through the mid-1930s, further exacerbating trade tensions. The experience of both Conferences weighed heavily on the minds of the architects of the *Bretton Woods System* a decade later.

World Integrated Trade Solution (WITS). A database and software package developed by UNCTAD and World Bank to allow analysis of market access conditions and the impact of own and partner country liberalization.

World Trade Organizatino (WTO). The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business. The WTO is located in Geneva, Switzerland, was established in 1995 and has 144 Members as of 2002. See also *GATT*.

Yaounde Convention. See *Lomé Convention.*

Zero-For-Zero. A term used in the *market access* negotiations in the *Uruguay Round* to denote a sectoral free-trade initiative that would essentially eliminate tariffs on an entire category of goods. Meeting in Tokyo in July 1993, the *Quad* trade ministers announced plans to negotiate zero-for-zero agreements in eight industrial areas including pharmaceuticals, medical equipment, steel, construction equipment, farm equipment, furniture, beer, and distilled spirits.